Budget Address
2011 - 2012

NORTHWEST TERRITORIES

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Minister of Finance

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Introduction

Mr. Speaker, I would like to take this opportunity to thank all Members of the Legislative Assembly who worked individually and collectively through the Cabinet and Standing Committee process to contribute to the formation of this, the final budget of the 16th Assembly.

Three years ago, this government's first budget set a goal of fiscal sustainability – of living within our means. To do this we realigned spending with priorities, made some cuts and changed some of the ways the government does business to foster good financial planning and produce long-term fiscal savings. We did this in order to invest the millions of dollars needed to secure our territory's future.

Since then, we have committed close to $200 million in strategic and energy investments in the NWT's future. Over the long term, these investments will improve the lives of Northerners, foster economic development, and unlock the tremendous opportunities our territory holds. Now, in the final year of our mandate, this Budget looks to consolidate the gains we have made, and finish and deliver what we have begun.

As a government, not only have we managed our way through the most serious economic downturn since the Great Depression while continuing to provide quality programs and services to the residents of the NWT, we have made investments and initiated policy changes in key areas that will benefit the NWT for years to come.

The global economic upheaval required governments everywhere to take dramatic action. The GNWT was no different. Even when times were better, this government was thinking ahead and planning for more turbulent times. When the recession hit we had the fiscal room to respond - we implemented fiscal policies that maintained spending levels, deferred major tax increases, and injected over $865 million in infrastructure investment into the NWT economy over two years. We adopted a fiscal plan in 2009 that would see our economy through the downturn and return us to the path of fiscal sustainability.

That plan continues to guide us as we make the transition necessary to put us on that path. Staying on this path will require difficult decisions and creative solutions but I am confident that NWT residents will be up to the challenge.

The Economy

The world's economy is recovering from the global upheaval of just over two years ago, but that recovery remains fragile. The risks are clear: energy prices, particularly oil prices, are rising and many governments have high levels of debt and fiscal situations that are not sustainable.

The NWT's economy has picked up some energy since 2008 and 2009. While economic activity declined in both those years, real GDP is projected to grow by 2.8 per cent in 2010 and 1.2 per cent this year.

Although the employment rate is still lower than 2007, it is estimated to have increased 1.4 per cent in 2010, providing a modest sign of labour market improvement.

The decline in our population appears to have stabilized. However, there has been little population growth overall since 2004 and net migration out of the territory remains a concern.

The NWT's three producing diamond mines are a vital part of our economy. Diamond output was up 7.5 per cent at the two biggest mines for the first three quarters of 2010 and Snap Lake is continuing its planned ramp up in production. In December 2010, the proponents of the Gahcho Kué mine submitted the project's environmental impact statement for review.

Mineral exploration is starting to rebound. An estimated $99 million was spent in 2010 on NWT mineral exploration, up 125 per cent from the trough year of 2009, although there is a way to go to reach the $194 million spent in 2007. We are also keenly aware that the NWT's share of Canada-wide mineral exploration expenditures has fallen considerably.

The GNWT's aggressive two-year strategy of capital investment has helped to stabilize the economy, in particular during 2009 when increased public investment offset the reduction in private investment.

Looking forward, there are a number of potential developments that can bring jobs and prosperity to business. The National Energy Board recently approved the Mackenzie Gas Project. The proponents have until December 31, 2013 to report on their decision to build the pipeline. When this $16 billion project proceeds, it, and subsequent developments, will contribute billions of dollars to the NWT and Canadian economies.

In 2010, oil and gas companies committed to a total of $111 million in work to be conducted over the next 9 years to secure rights to develop petroleum in the NWT's onshore and offshore.

There are also a number of mining projects in the wings, such as Avalon's rare earth elements mine, Canadian Zinc's Prairie Creek lead-zinc-silver mine, Tyhee's Yellowknife gold project, Fortune Minerals' NICO cobalt-gold-bismuth project and Seabridge's Courageous Lake gold project.

The signing of the devolution agreement-in-principle last week brings us one step closer to putting the people of the NWT in charge of decisions about how our resources are developed and providing a share in the revenues from that development.

Fiscal Strategy

Mr. Speaker, two years ago, economic conditions dictated fiscal policies that supported business activity and employment in the NWT. The prudent approach we had already adopted allowed us room to implement these policies. This included maintaining spending levels, deferring tax changes and investing aggressively in infrastructure. We recognized, however, that these policies were not sustainable over the long-term. While we were, and are, prepared to incur some debt to address the downturn, we do not want to mortgage our future. We must also be mindful that our authority to borrow is limited. This means implementing policies that will allow us to repay that debt.

In 2009, we adopted a fiscal strategy that would put us on a sustainable path:

- From 2011-12 onward, expenditure growth would be capped at 3 per cent, net of compensation increases.
- Once we complete the projects included in our current infrastructure investment plan, capital investment will be reduced to $75 million per year starting in 2012-13.

Meeting these targets will generate the cash surpluses we need to pay down the debt incurred to address the economic slowdown. We acknowledge that achieving these targets will be challenging. It will mean setting clear priorities, focussing on finding efficiencies and putting our dollars where they will be most effective. It will mean continuing to seek creative new ways of doing things, being open to new ideas and being willing to challenge the status quo.

Our task has been made more challenging by the fact that the effects of the downturn in 2009 will mean a drop of $41 million in forecast corporate income tax revenues in 2011-12. But by adhering to our fiscal strategy, and maintaining discipline over our spending, we have achieved a balanced budget and have preserved a fiscal "cushion" against unexpected events.

But, Mr. Speaker, balanced budgets are not good enough in the longer term. We have borrowed to take advantage of the economic downturn to make vital investments in infrastructure. This debt will bring us close to the federal limit on our borrowing authority by the end of the coming budget year. However, by maintaining strict control of our expenditures and returning to lower levels of capital investment, our debt levels will be reduced over time.

The accommodation provided by Canada on our borrowing limit last April provides us with the room we need to implement this strategy. We will be exercising heightened diligence in monitoring cash flows to ensure we minimize borrowing levels and stay well within the federal limit. We are working with Finance Canada to review the borrowing limit. This work will be concluded by April.

I want to emphasize the effort that will be needed to keep expenditure growth under control in the years ahead. It will be significant. The needs and demands for investment in critical areas are large and growing. Expectations from residents for improvements to programs and infrastructure are great. Meeting these needs and expectations within our

fiscal targets will require difficult decisions. However, work that has begun over the last three years will start to yield results, if acted on:

- The Program Review Office created in 2008 has completed reviews of a number of government programs. Their results have identified areas that could generate significant savings. Some, such as the construction of an office building in Yellowknife, are already being implemented.

- We need to assess the savings that have been achieved as a result of investments in energy reduction and other areas, so that these savings can be redeployed.

- The GNWT has opportunities for revenue growth including changes to our tax regime. The Department of Finance has undertaken substantial research and consultation over the last three years on these options.

We need to look at key areas of spending growth, such as health care, education, housing and the cost and size of government. The GNWT delivers a wide variety of programs and services to a diverse population, located over a large geographical area. We need to begin a discussion about the role and size of government. What does the public expect of government? Do we have the resources to do it and if not, how do we obtain those resources, or what do we stop doing?

We are not alone in the fiscal approach we are taking. Governments in Canada are expecting a period of tight fiscal control as they seek to return to balanced budgets. Restraint measures are being applied to all areas of government operations, including labour costs. The GNWT will be mindful of what is affordable, as we prepare to renew collective agreements in 2012.

Federal health and social transfers, as well as our Territorial Formula Financing arrangements, will be up for renewal in 2014. Federal, provincial and territorial Finance Ministers have already directed our officials to start work on renewal. Given the current federal fiscal outlook, provincial and territorial efforts will need to focus on the adequacy of funding levels. The uncertainty around federal transfers, however, only reinforces the importance of ensuring that our fiscal house is in order.

Budget Highlights

Mr. Speaker, I am pleased to inform Members that our fiscal strategy is on track. Total 2011-12 expenditures are budgeted at $1.34 billion; an increase of 3.4 per cent from current year. Excluding compensation increases, we are budgeting spending growth of 2 per cent, well within our 3 per cent cap.

Although the GNWT recorded an operating deficit of $48 million in 2009-10, we are projecting small operating surpluses of $7 million in 2010-11 and $17 million in 2011-12.

Total revenues are projected to increase 2.9 per cent in 2011-12, to a total of $1.36 billion.

We expect to borrow $64 million at the end of 2010-11 and $155 million by the end of 2011-12 to cover the short-term cash shortfalls needed to finance our investment in infrastructure. This short-term debt will be paid off early in the following fiscal year.

After accounting for the Deh Cho Bridge debt, and that of the NWT Power Corporation and NWT Housing Corporation, total GNWT debt is forecast to reach a high of $515 million at March 31, 2012; but will decrease after that as the fiscal strategy is implemented.

The GNWT continues to be guided by our *Fiscal Responsibility Policy* which requires that we borrow only for infrastructure investments, self-financing investments, and repayable loan programs. Fully $344 million, or 67 per cent, of our projected debt at the end of the coming fiscal year will largely be self-financing – that is the costs of servicing the debt are financed by a dedicated stream of revenues from tolls and customers, and not by other government revenues.

Expenditures

Mr. Speaker, this Budget focuses on consolidating the investments and achievements that have been made toward realizing the goals and priorities of the 16th Legislative Assembly.

In 2008-09, we outlined five strategic areas as the focus of our government's investments. In the 2009-10 Budget, we announced a further priority, that of achieving our energy goals. We committed $60 million over four years to advance an energy investment plan to reduce the NWT's reliance on diesel fuel and lower the cost of living. By the end of 2010-11, we will have invested close to $200 million in these strategic and energy initiatives. This Budget includes over $85 million to continue investments already underway and proposes an additional $16.9 million in new investments toward realizing this Assembly's vision for the NWT.

Supporting the Economy

We continue to pursue the goal of a balanced, diversified and sustainable NWT economy. Maximizing the long-term benefits of economic development for Northerners continues to be our priority. Our previous budgets have invested a total of $47 million in economic initiatives that supported diversification of our economy, gave NWT residents opportunities for training and skill development, and promoted the NWT as a great place to visit and live.

This Budget includes $15.3 million to continue initiatives started in the past three years to support the NWT economy, and proposes $3.2 million in additional investments.

Our Support to Entrepreneurs and Economic Development (SEED) Program is a cornerstone of our efforts to diversify the NWT economy. Because there are more worthwhile applications for SEED contributions than the $3.5 million currently budgeted, this Budget proposes a further $350,000 in 2011-12. The new funding will build on the additional $4.8 million invested in SEED over the last three years to help individuals start and build successful businesses that will expand local economies.

Since 2008-09 our government has added almost $9 million in new investments to promote the NWT as a great tourism destination. This included $2.5 million to successfully showcase the NWT to Canadians and to the rest of the world at the 2010 Olympics.

In 2006, the GNWT outlined Tourism 2010, a five-year plan to guide the GNWT's investment in this key sector of our economy. *Tourism 2010* was set to expire at the end of 2010-11, but this Budget commits $1 million to extend this annual support for the tourism industry to 2015.

We want visitors to come and enjoy what the NWT has to offer but we also want people to move to our territory and call it home. Reversing the general decline in our population since the mid-1990s is important if we want to expand the customer base for NWT businesses, lower the cost of living through increased economies of scale, grow our tax base and secure our transfer payments from Canada.

Attracting and retaining workers is a major challenge for our business community. Over 2009-10 and the current year, we will have invested $1.4 million in a National Marketing Campaign to raise awareness in southern Canada of the job and lifestyle opportunities the NWT has to offer. This Budget continues to support this important work, with a proposed allocation of $760,000 for 2011-12. The Budget also builds on work completed under the *NWT Growth Strategy* to stimulate growth in the NWT population through an additional investment of $145,000. Finally, ensuring that all our residents are counted has important implications for the Government's fiscal situation and therefore this Budget includes funding to assist with the 2011 Census.

We must also ensure that NWT residents have the skills and training they need to take advantage of job opportunities. Over the first three years of this Assembly we have invested almost $14 million in initiatives targeted at this priority. On the recommendation of the Committee on the Sustainability of Rural and Remote Communities, this Budget proposes to invest $925,000 in a Small Community Employment Program to support job creation in communities where incomes are among the lowest and employment opportunities are the most limited. This Program is expected to provide critical work experience through support for short-term job creation and skill development.

Reducing the Cost of Living

Mr. Speaker, reducing the high cost of living in the Northwest Territories is fundamental to developing our economy, improving the quality of life for our residents and encouraging people to live here. Our first three budgets have invested $39 million in initiatives to reduce our cost of living, especially for those in our smallest and most remote communities. Of the $39 million spent to date, $13 million was provided for energy investments aimed at reducing the cost of energy in communities, including energy conservation initiatives and lowering the cost of electricity.

The cost of energy is a huge driver of the high cost of living in our territory. The establishment of new electricity rates last December as a result of the GNWT's *Electricity Review* is a major achievement for this government. The Honourable Bob McLeod, Minister of Industry, Tourism and Investment, will be updating Members on this initiative later this Session. These new rates will make electricity costs more equitable across the NWT and will significantly reduce the cost of living in many of our

communities. They will also enable those communities to be more competitive and encourage economic growth. This is an achievement that came about through close collaboration with all Members of the 16th Legislative Assembly and is one that we can all be proud of. What we have accomplished here will benefit NWT residents for years to come.

The high cost of food is a key component in our high cost of living. We have been working to increase the availability of locally produced food in an effort to replace expensive imported products. This Budget supports increasing the amount of affordable, nutritious food available in our communities by proposing an additional $475,000 in the Community Harvesters Assistance Program, bringing our total investment to over $1 million in 2011-12. This investment will provide assistance for renewable resource harvesters across the territory, reduce the cost of living and reduce economic disparities between large and small communities. This Budget also provides an additional $150,000 to improve agriculture infrastructure and support for commercial harvesting of wild foods.

In addition, Mr. Speaker, commercial power rates in communities that rely on diesel or natural gas for electricity, will be reduced by as much as $1.70 per kilowatt-hour. This will contribute to a significant reduction in grocery prices. This Budget continues funding for the Bureau of Statistics to monitor prices in communities, a key tool we are using to evaluate the effect of the power rate reductions.

Long term solutions to reduce the cost of living in all NWT communities require investments in many areas. Better transportation systems can lower the cost of transporting goods. We are continuing the work on our investments of the last three years with an additional $490,000 to build ice crossings faster on the Mackenzie Valley winter road, to extend the ferry operating season on the Dempster Highway and to operate airport runways that have been extended in some communities. In fact, this government will have invested over $455 million in capital in roads, bridges and airports since 2008-09, a record in the history of the NWT.

Housing pressures also contribute to the high cost of living. They can also contribute to other social and economic problems that can hold people back from achieving their potential. Mr. Speaker, including this Budget, this government, through the efforts of the NWT Housing Corporation, will have invested over $210 million since 2008-09 in renovating public housing and building new housing.

We continue to work with stakeholders to improve the delivery of housing programs and services to Northerners. As an important step in this process, last year we moved the responsibility for income assessments for the Public Housing Rental Subsidy program back to the Local Housing Organizations. Since June 1, 2010, public housing tenants apply for rental subsidies and pay their rent at their Local Housing Organization office. The Honourable Robert C. McLeod, Minister responsible for the NWT Housing Corporation, will be updating Members later this session on the progress that has been made on the assessment of public housing rents.

We will be directing $300,000 in this Budget to perform a full review of the GNWT's policies for the provision of adequate, suitable and affordable housing in the Northwest Territories. This review will need to address a number of challenging issues related to housing in the Northwest Territories, including declining federal funding for social housing and the ongoing housing issues apparent in our communities.

We recognize that the economic downturn has reduced employment opportunities in the NWT. Over the past three years, we have added over $6 million in base funding for income support to individuals and families and over $760,000 in investments in income security reform. This Budget includes a further increase of $1.4 million to respond to higher income support needs across the NWT.

We are also turning our attention to the needs of students in this Budget by providing $150,000 in one-time funding to review the NWT Student Financial Assistance Benefits program to ensure that our students can make ends meet while focussing on their studies.

Investing in Our People

Mr. Speaker, the future success of the Northwest Territories will depend on developing the skills, talents and abilities of our residents. In the first three years of this Legislative Assembly, we have invested $29 million in programs and services to create an environment where Northerners are able to develop their full potential.

Fully 40 per cent of this funding was used to expand educational opportunities for youth and children. We place a priority on education and training to ensure our children have the tools to lead productive, quality lives.

We recognize the direct connection between student success and a stable teaching workforce that is representative of the population. Since 2008-09, we have allocated funds and built on existing programs to deliver teacher education on campuses and in communities. In this Budget we are increasing access to Aurora College School of Education programs in communities through an additional $300,000 investment to train more Aboriginal teachers and language and cultural instructors.

We also recognize that action is required to improve high school graduation rates of our Aboriginal students, which are 25 percentage points below those of non-Aboriginal students. This Government has been working with Aboriginal governments and organizations, educators and industry partners to increase the number of successful Aboriginal students in the Northwest Territories. This work continues in this Budget with an additional $500,000 to further implement measures under our Aboriginal Student Achievement programs. Later this Session, the Honourable Jackson Lafferty, Minister of Education, Culture and Employment, will be updating Members on the achievements of these programs.

We have stepped out of the classroom to provide youth from communities with volunteer opportunities that include activities such as public speaking, project management, and event organizing through our Youth Ambassador pilot program. This Budget builds on the success of this program, proposing $150,000 to create a permanent Youth Ambassador program that provides NWT youth with volunteer leadership development opportunities.

It would be a tragedy if our efforts to educate our children and youth are hampered by the neglect of their physical health. To date, we have supported the *Healthy Choices Framework* with $2.6 million in investments aimed at improving the health of our children and families, focussing on prevention through healthy choices and lifestyles. In addition to the $1.8 million already committed to this program in 2011-12, we are investing a

further $500,000 in the *Healthy Choices Framework* to provide extra funding to fill in the gaps in early childhood initiatives at the community level aimed at promoting healthy living.

By the end of this fiscal year, we will have invested $2.8 million to implement Phase II of the *Framework on Action on Family Violence*. We are including funding in this Budget to evaluate the success of our investments to date in enhancing community programs to reduce family violence.

We want to help Northwest Territories residents who need outside care to stay in their homes as long as possible. This not only improves the quality of life of these individuals, it also reduces the cost to government of expensive facility living and care. This Budget includes $650,000 in ongoing funding to increase the hours and availability of home care for seniors and other patients. We are also providing $75,000 for a pilot program to expand territorial respite services and enhance caregiver support and training for families of children and youth with special needs.

Our government's investments help people working with the justice system achieve better solutions to real problems. We look to further assist children who are the subject of custody and access disputes by providing $150,000 to establish an Office of the Children's lawyer. This office will provide legal services and representation for children in matters where a judge determines that a child needs independent legal representation. This service gives the child a voice in matters that affect them. As well, this Budget includes $118,000 to fund a position to help individuals affected by Fetal Alcohol Spectrum Disorder and other cognitive disabilities who come into contact with the justice system.

Sustainable Communities

We remain committed to the goal of achieving sustainable, vibrant and safe communities in the Northwest Territories. From 2008-09 to 2010-11, our government has provided $182 million in operating contributions to community governments and $164 million for community infrastructure. In 2011-12, we will provide communities with a further $65 million in operating contributions and $28 million for infrastructure. This funding provides communities with reliable financial resources, enabling them to make their own choices. From 2008-09 to 2010-11, we have invested over $20 million in strategic new territory-wide initiatives to increase safety and security, strengthen government program service delivery in our communities and improve small community employment opportunities. This includes $6.5 million to date to enhance police services and $1.5 million in other crime prevention and emergency rescue initiatives to make our communities safer. This also includes $5 million to strengthen government service delivery through the creation of single window service centres, improvements in community access roads and reinforcement of our relationships with non-government organizations. A further $5 million has been invested to increase employment opportunities in small communities, particularly in the trades.

We continue to invest in increased public safety in this Budget with $300,000 in ongoing funding to provide all communities with fire fighting and emergency management training.

We have taken a proactive approach that not only responds to community safety issues but identifies and addresses these issues before the justice system becomes heavily involved. During 2011-12, a *Community Safety Strategy* that identifies the most critical community safety issues and the options available in legislation, community programs and risk assessment tools to address these issues will be completed. This Budget provides $100,000 in additional funding to implement the *Strategy*.

The GNWT helped all 33 Northwest Territories communities meet the requirement in the federal Gas Tax Agreement for individual Integrated Community Sustainability Plans by March 31, 2010. This Budget proposes $150,000 in 2011-12 to help community governments implement these Plans.

Protecting the Environment

Mr. Speaker, we depend on our water, land and natural resources for our wealth and our livelihood and therefore it is vital that we take a balanced approach to development. To date, from the start of this Assembly, we have made almost $26 million in new direct investments in protecting the environment and are committing $12 million in this Budget for 2011-12 to continue these initiatives. These strategic investments include developing governance, protecting territorial waters, improving environmental monitoring efforts and establishing programs to mitigate and adapt to climate change.

In addition to funding for continuing investments, the Budget proposes $4.7 million in new initiatives to protect our most precious resource – our environment.

Through the *NWT Water Stewardship Strategy*, and in partnership with the federal and Aboriginal governments, land and water boards and universities, we have been working to ensure that NWT waters remain clean, abundant and productive for all time. In the upcoming year, we propose to advance our efforts through a $343,000 investment to implement the *NWT Water Stewardship Strategy*.

This Budget proposes $100,000 to implement the new *Wildlife Act*. If approved, this new legislation will better enable us to protect and manage wildlife in the Northwest Territories.

Mr. Speaker, our barren-ground caribou are important to the culture, health and well-being of NWT residents. While some herds remain at low numbers, others such as the Porcupine and Bluenose-East herds appear to be stabilizing thanks, in part, to previous investments in management actions and hard decisions made by harvesters. Management plans are critical for the recovery and ongoing conservation of these herds. This Budget proposes $1 million to carry out the action plans under the new five-year *Caribou Management Strategy*.

Sustainable economic development means we must be prepared to directly address conservation and environmental issues as they arise. This includes meaningful consultation with Aboriginal governments. This Budget proposes $350,000 to create an Aboriginal Consultation Unit to provide policy advice and legal support to ensure that our consultation practices remain effective and current.

Last year, the multi-party Protected Areas Strategy Steering Committee completed its *2010-2015 Establishment Action Plan*. In 2011-12, we are proposing an additional

$200,000 in ongoing funding to complete site assessments for critical wildlife areas sponsored by the GNWT and to consult with Aboriginal governments as the areas move closer to being established.

By the end of this fiscal year, $9.2 million in hydro and alternative energy investments will have been made toward mitigating our contribution to greenhouse gas emissions. We are proposing $2.7 million in new energy initiatives in this Budget to continue work on mini-hydro facilities, further the biomass strategy and explore possible geothermal projects.

Refocusing Government

Mr. Speaker, at the start of the 16th Legislative Assembly, we committed to living within our means to allow us the flexibility to put our limited resources into the programs, services and infrastructure of highest priority and benefit to Northerners.

To this end, we have invested in work that will improve the way we manage our resources – whether human, financial or physical, to ensure that we are getting the best value for the dollars we spend.

To date, we have invested $33 million to improve the efficiency and effectiveness of government operations, including $9.7 million in investments to extend the life of government buildings and almost $10 million in energy saving projects.

The changes we have made to our capital planning process since 2008 have improved the way we plan for, acquire and deliver the infrastructure needed to deliver GNWT programs and services. Projects established through the new capital planning process are being delivered within budget. Through our deferred maintenance program, we are better addressing maintenance requirements to improve the useful life of our existing government buildings. With an investment of $34 million in capital and operating funding, including $8 million budgeted for 2011-12, the GNWT will have reduced its deferred maintenance needs from $470 million to approximately $325 million by the end of 2011-12.

Successful completion of biomass heating and energy retrofit projects under our Capital Asset Retrofit Program, introduced to upgrade the energy efficiency in existing government buildings, are realizing savings that are up to $775,000 in 2010-11.

In 2008 we established the Program Review Office. Working closely with departments, the Office undertakes targeted reviews that provide information on the efficiency, effectiveness, and value of current government operations. In addition to the review of Yellowknife office space requirements, recent program reviews have examined processes related to: medical travel; results associated with past investments to lower the pupil-teacher ratio and increase inclusive school funding; and approaches to managing communications equipment, printers and faxes within the GNWT. An evaluation of travel administration for casual nurses is being completed and an inventory has been undertaken of harvester support programs. These reviews will provide critical information for the 17th Assembly as it considers the choices that lie ahead.

This Budget continues the work in progress to streamline government operations and improve effectiveness and efficiencies within the GNWT to better serve NWT residents by investing:

- $1 million to implement strategies to attract and retain employees under the NWT Public Service Strategic Plan.
- $300,000 for implementation of the Financial Shared Services Model, which will consolidate government financial processing activities.
- $1.15 million to improve Government communications and service delivery to the public in French.
- $300,000 to expand the number of courses in the Aboriginal Language Summer Institute to allow more participants in the program.

Our 2011-12 capital budget included investments in information technology that will either promote more efficient use of resources or enhance our ability to deliver programs, particularly in more remote communities. Work currently underway on a renewed *Knowledge Management Strategy* for the GNWT will help us ensure that our investments in technology align with our goals and priorities and provide a payback in terms of increased efficiency and savings.

Capital Investment

The GNWT responded to the economic slowdown by aggressively increasing our investment in infrastructure. This not only helped stabilize the NWT economy, but without as much competition from private sector investment, it allowed the government to accomplish more with the dollars available. The 2011-12 capital budget, approved last October, plans to invest $155 million in territorial and federal funding in public infrastructure and a further $16 million for housing infrastructure is included in the Budget tabled today. Together with investments of $480 million in 2009-10 and $443 million in 2010-11, this represents a record three-year, $1.1 billion investment in roads, bridges, schools, health centres, houses and other critical infrastructure.

Highlights of the 2011-12 Capital Budget include:

- $27.4 million for school replacements, renovations and additions,
- $50.7 million for highways and roads,
- $15.5 million for health infrastructure,
- $15.8 million for upgrades and renovations to GNWT buildings,
- $11.7 million for airport infrastructure improvements, and
- $5 million for information system technology upgrades and replacements.

The Deh Cho Bridge, the GNWT's largest infrastructure project to date, is scheduled to be completed in the coming fiscal year. The bridge will provide a safe, reliable all-weather link from the south to the North Slave region, providing uninterrupted access for travellers on Highway 3 and economic benefits for all NWT residents. The Honourable Michael McLeod, Minister of Transportation, will be updating Members on the Deh Cho Bridge later this Session.

Revenues

Mr. Speaker, there are no new taxes in this Budget.

We recognize the need to maintain a stable and competitive tax regime, both to encourage investment and to attract residents to our territory. This became even more important during these uncertain economic times. Therefore, there have been only modest tax increases during the term of the 16th Assembly. Tobacco taxes, property taxes and liquor mark-ups have been adjusted for inflation and will be again on April 1. As announced in last year's budget, we are extending this policy to apply to other fees charged for government services. As of April 1, 2011, a number of fees will be adjusted to reflect increases in the cost of providing services since the last time they were increased. We expect to raise $1.8 million from these initiatives in 2011-12.

Last October the Department of Finance held its third consultation with NWT residents and businesses on the GNWT's long-term tax, economic and fiscal policies. This year's discussion focused on two specific tax options. A carbon tax option was put forward following the interest expressed during the first two revenue consultations. A hotel tax option was presented in response to a motion by the Northwest Territories Association of Communities supporting territorial legislation to allow for a municipal hotel room levy that would fund tourism marketing and development initiatives. These potential new taxes would align with the government's priorities to protect the environment and promote the NWT as a place to visit or live.

A carbon tax requires considerably more research and analysis before any changes could be brought forward or implemented. A hotel tax, while perhaps more straightforward to understand or implement, would require further consultation with communities and the tourism industry. However, these are two concrete options that can be considered by the 17th Legislative Assembly.

Although our own-source revenues represent a relatively small portion of our overall spending, we must also be prepared to look at the revenue side of our budget as we continue to manage our way through these uncertain economic and fiscal times. Knowing that higher taxes may act as a drag on our recovering economy, we will need to balance our fiscal requirements against the economic impacts of any changes to our tax regime.

Looking Forward

Mr. Speaker, as I have noted, this Budget is focussed on consolidating the work and achievements of the 16th Assembly. But the world is not divided into neat four-year parcels, and there are a number of initiatives and priorities that will need more time to complete. In fact, many of these have been priorities for previous Assemblies which we

have continued to pursue and advance, and which future Assemblies will, we trust, bring to completion.

Last week Premier Roland signed the devolution agreement-in-principle to transfer authority over Crown lands from Canada to the GNWT. Signing this historic agreement-in-principle was a critical step in ensuring Northerners will be making the decisions, here in the NWT, about our lands and resources, decisions that will affect the lives of our children and grandchildren.

However, important as it is, the agreement-in-principle is only a first step.

We now need to turn our attention to completing a final agreement, including reaching a resource revenue-sharing agreement with regional Aboriginal governments, developing an agreement with Canada on post-devolution resource development cooperation, completing a government-to-government agreement with regional Aboriginal governments on post devolution resource management and completing the transitional activities described in the agreement-in-principle related to the transfer of program responsibilities from Canada to the GNWT.

The Taltson Hydroelectric Expansion project continues to be a priority of this government. But additional work will be needed to confirm the financial viability of the project. This includes work to address the concerns raised by the federal government in response to the report issued by the Mackenzie Valley Environmental Impact Review Board and concluding discussions with potential customers. Based on this, project assumptions will be updated and next steps identified. Premier Roland will be updating Members on this project later this Session.

Last year at this time, I committed, should there be a consensus on the value of a Heritage Fund, to introduce legislation to create such a fund before the term of this Assembly is up. We have consulted with NWT residents, who have expressed support. I am confirming my intention to introduce legislation during the current session for the Assembly's consideration. We recognize that we are unlikely to be contributing to a fund until we are in a surplus cash position. However, we will be prepared, when that day comes, to start saving a legacy for future generations of Northerners.

This government continues to make the planning for the Mackenzie Valley Highway from Wrigley to Tuktoyaktuk a priority. The unanimous support of the 16th Assembly has enabled considerable progress to be made. We have completed a project description report for the Inuvik to Tuktoyaktuk section of this road and have made an application for regulatory approval. We are now doing similar work for the section of highway between Wrigley and the Dempster Highway. This work is being done in partnership with Land Claims groups and organizations throughout the Valley and is being cost shared with Canada. This work will help the GNWT engage the federal government in discussions on how to fund and construct this road. It will also allow the 17th Legislative Assembly to consider a construction application to regulators. All Northerners and all Canadians will benefit from a Canada connected from coast to coast to coast.

As I noted earlier, Mr. Speaker, health care costs represent a major cost driver for this government, and will continue to pose a significant risk to fiscal sustainability. Across Canada and internationally, leaders are being faced with difficult choices around the sustainability and accessibility of health care. We know that we need to make changes

to our health and social services system so our children can access the same quality care that exists in the NWT today. In *A Foundation for Change,* the Honourable Sandy Lee, Minister of Health and Social Services, has outlined a plan for making changes to our system now, to ensure we have affordable, quality health care and social services in the future.

The first step must be starting a discussion about the choices we all need to make around health and wellness. Change must start at an individual level. Many of these changes are around making healthier choices, but others are about valuing the health and social services resources we have – for example, attending our appointments so that operating rooms are not left empty when there are others waiting.

The health and social services system must also continue to respond to the needs of residents through quality care and supports. This will continue to be challenging, given the system pressures, the increasing costs of delivering health care, and public expectations. *A Foundation for Change* is about forming a base that future governments can build upon.

Despite the serious fiscal challenges caused by the global economic crisis, as a government we have continued to provide quality programs and services to the residents of the NWT. We have made investments and initiated policy changes in key areas that will benefit the NWT for years to come. We made some tough fiscal choices over the past four years to allow us to make these investments. We know there will be more difficult decisions ahead.

Conclusion

Mr. Speaker, three years ago, the Members of the 16th Assembly identified a vision of strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories. All Members of this Assembly should be proud of the work we have done toward achieving this vision. This Budget focuses on consolidating work underway and finishing what we have begun. But we know that there is much more work to do.

The years ahead will be exciting and challenging ones. Achieving the goals Northerners have set for ourselves within the fiscal constraints facing us will be a significant challenge – and one that will require difficult choices. NWT residents must be ready to engage in the debate about priorities and their expectations about what government should and can do.

We need to think on a territorial-wide basis and make choices that are in the best interests of the NWT as a whole. We must all be prepared to make compromises if we are to achieve benefits that are in the long-term interests of the whole NWT.

But, Mr. Speaker, Northerners have never shrunk from a challenge and I have no doubt that we are up to this one.

Budget Address
2011 - 2012
NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

B ♦ Fiscal Review

February 3, 2011

ECONOMIC REVIEW

Outlook

The Northwest Territories (NWT) economy is expected to build on its 2010 recovery from the global economic recession of 2008 and 2009. For 2011, real gross domestic product (GDP) is forecast to increase by 1.2 per cent. Nevertheless, because of the severity of the recession, the NWT's 2011 GDP will be 16 per cent below the pre-recessionary high reached in 2007.

The NWT economy is heavily dependent on international trade – in 2008, international exports were 48 per cent of the NWT's GDP. The International Monetary Fund (IMF) is projecting that world GDP will have increased by 4.8 per cent in 2010 and will increase by 4.2 per cent in 2011, but growth will be unevenly distributed. The advanced economies, led by the United States, are projected to grow by 2.7 per cent in 2010 and 2.2 per cent in 2011. Developing Asia, led by China and India, both of which have rapidly growing markets for diamonds, is projected to grow by 9.4 per cent in 2010 and 8.4 per cent in 2011.

The National Energy Board has approved the applications for construction and operation of the Mackenzie Valley natural gas pipeline, subject to a number of conditions, including a requirement that the project proponents make their decision to construct before the end of 2013 and begin construction no later than 2015. The proponents must also make provision for servicing NWT communities along the pipeline corridor, which will enhance the energy security and lower the cost of energy for those communities. Construction of the $16 billion pipeline would have a large impact on the NWT economy during its construction phase and its completion would support additional natural gas exploration and development.

A number of NWT mine projects are in the advanced stages of development. These include the Gahcho Kué diamond project, a joint venture by De Beers Canada and Mountain Province Diamonds, which could be in operation as early as mid-decade. Other mining projects include Tyhee Development's gold mine north of Yellowknife, Avalon Rare Metals Inc. Thor Lake project and Fortune Minerals' NICO cobalt-gold-bismuth mining project near Whatì. The Deze Energy Corporation's Taltson Hydroelectric Expansion project is under consideration by the Mackenzie Valley Environmental Impact Review Board.

Employment of NWT residents is expected to be stable at 21,400 persons in 2011. Consumer price inflation in Yellowknife (NWT – wide figures are not available) was 1.8 per cent in 2010 and is forecast to reach 2.2 per cent in 2011.

Table 1: Economic Outlook

Indicator	2008	2009	2010e	2011f
Gross Domestic Product, chained 2002 $ millions	3,561	3,162	3,249	3,289
% change	(9.6)	(11.2)	2.8	1.2
Total Investments, chained 2002 $ millions	1,353	1,086	1,086	1,023
% change	(21.7)	(19.7)	0.0	(5.8)
Personal Expenditures, chained 2002 $ millions	1,240	1,241	1,271	1,306
% change	2.7	0.1	2.4	2.7
Government Expenditures, chained 2002 $ millions	1,179	1,210	1,224	1,208
% change	0.9	2.6	1.2	(1.3)
Exports, chained 2002 $ millions	2,615	2,230	2,379	2,408
% change	(10.2)	(14.7)	6.7	1.2
Imports, chained 2002 $ millions	2,836	2,635	2,676	2,670
% change	(7.9)	(7.1)	1.6	(0.2)
Employment, number of persons	22,000	20,800	21,100	21,400
% change	(2.7)	(5.5)	1.4	1.4
Average Weekly Earnings, dollars	1,080	1,150	1,195	1,224
% change	7.5	6.5	3.9	2.5
CPI All-Items (Yellowknife, 2001 = 100)	115.2	115.9	117.9	120.5
% change	4.0	0.6	1.8	2.2

Source: Statistics Canada and the NWT Bureau of Statistics
(e) estimate
(f) forecast

2010 Economic Performance

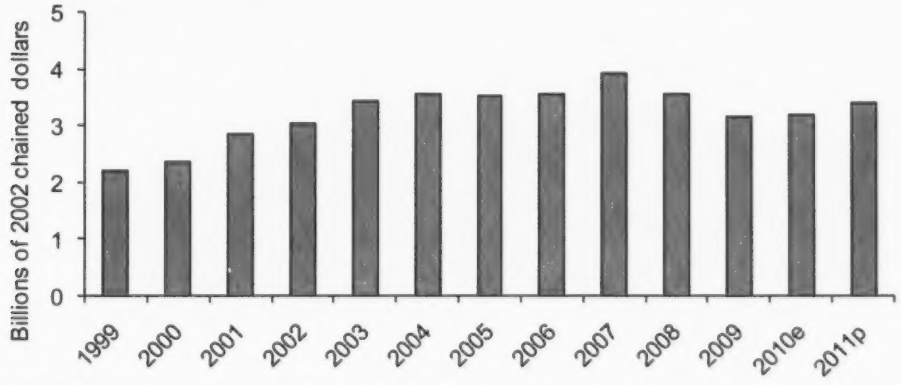
Real GDP is the inflation-adjusted value of all goods and services produced within the NWT. Real NWT GDP fell 9.6 per cent in 2008 and 11.2 per cent in 2009, for a cumulative decline of 19.7 per cent from its pre-recessionary levels - the largest decline of any province or territory in Canada. Real GDP in the NWT is expected to have increased by 2.8 per cent from 2009 to 2010.

The recovery was led by the increase in the value of exports, principally diamonds, as the NWT diamond mining sector increased production, and was supported by the GNWT's two-year aggressive infrastructure investment plan. Although the United States is the largest market for diamonds, the recovery of the diamond market was led by strong growth in the consumer markets of China and India. Investment, another important component of GDP for the NWT economy, is forecast to weaken as government capital plans are reduced as the economic recovery strengthens.

The NWT's economy is integrated with the global and national economies. The largest private sector component of the territorial economy is the non-renewable resource sector, where prices are established in world markets and NWT resources are shipped to markets outside the NWT. The IMF estimates that the global economy grew by 4.8 per cent in 2010 and growth is forecast to slow to 4.2 per cent in 2011 but this growth will be unequally distributed. The economies in advanced countries such as the United States and the European Union are expected to grow, but by barely enough to bring down unemployment. Certain emerging countries are forecast to experience very strong growth in 2011: China's growth is forecast to be 8.6 per cent and India's slightly lower at 8.4 per cent.

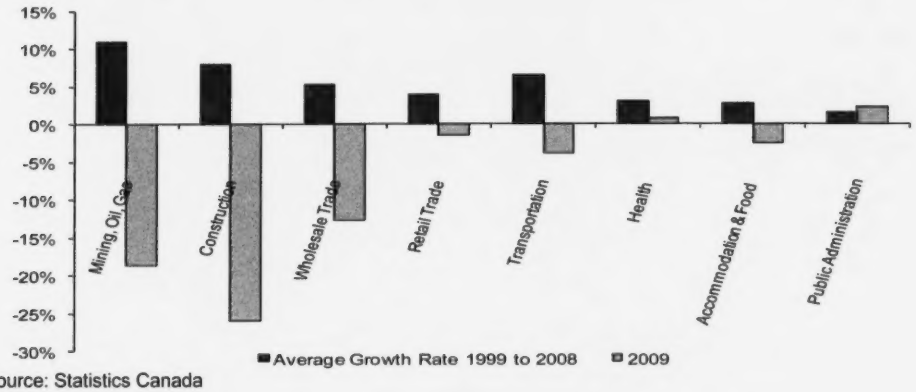
The Bank of Canada forecasts Canadian GDP will grow by 2.4 per cent in 2011 and 2.8 per cent in 2012. Throughout 2011, the global economic recovery will continue but risks remain due to global austerity and reductions in government stimulus spending, uncertainty in demand among traditional trading partners and emerging economies, and a persistently high Canadian dollar.

NWT Real Gross Domestic Product



Source: NWT Bureau of Statistics and Conference Board of Canada
(e) estimate
(p) projected

Annual Real Growth Rates of Selected NWT Industries

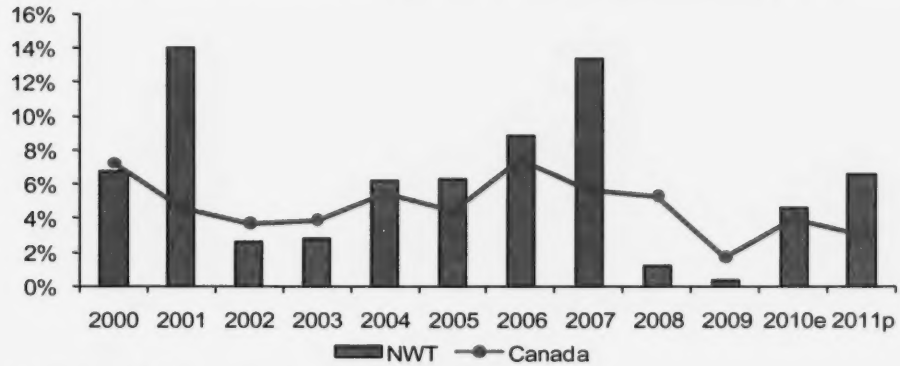


Source: Statistics Canada

Personal Income

Disposable personal income is the after-tax income earned by residents of the NWT from all sources. It supports consumer expenditures, which account for about 30 per cent of the NWT GDP. In 2009, despite the large decline in GDP, total disposable income received by residents of the NWT held stable, increasing by 0.4 per cent from 2008. However, this was the lowest rate of growth during the past decade. At the national level, where consumer expenditures accounted for over 55 per cent of GDP in 2009, personal income increased by 0.3 per cent from 2008.

Annual Percentage Change in Personal Disposable Income, NWT and Canada



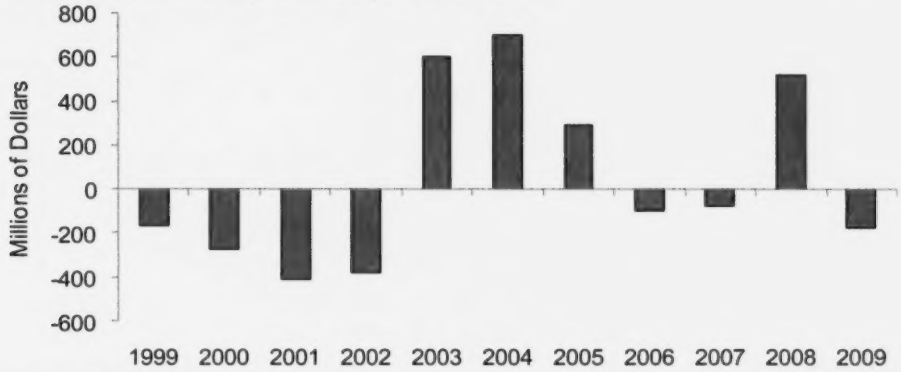
Source: Statistics Canada and Conference Board of Canada
(e) estimated
(p) projected

Trade

The NWT economy depends on trade with other countries and with the rest of Canada. The NWT's trade surplus with other countries grew markedly during the first part of the last decade, reaching its highest level of over $1.5 billion in 2008. In 2009, the NWT's trade surplus with other countries fell 40.8 per cent, due to the global economic crisis and a softening diamond market. The NWT has a trade deficit with the rest of Canada

since most of the goods and services used in the NWT, including machinery and consumer products, are imported from southern Canada. In 2009, the trade deficit with the rest of Canada rose by 5.7 per cent from 2008.

NWT Balance of Trade, chained (2002) dollars



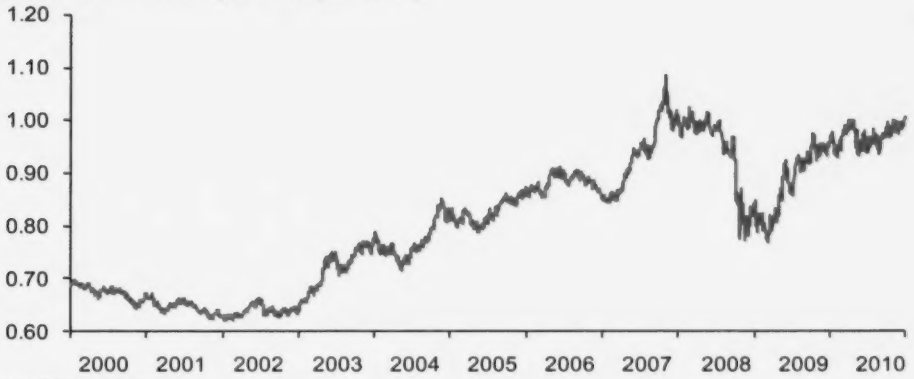
Source: Statistics Canada

Exchange Rate

The NWT's international trade surplus is important to the health of the economy. A strengthening Canadian dollar means that NWT businesses get paid less in Canadian dollars after the currency conversion, although it also means that capital equipment and other productivity-enhancing capital goods imported into Canada are less expensive. When the Canadian dollar declines, the effects are the reverse: NWT businesses get paid more for their products after currency conversion, while imports cost more.

The Canadian dollar averaged 97.1 cents US in 2010, an 11.5 per cent increase from the 2009 average of 87.6 cents US.

US/Canada Exchange Rate ($US/$C)



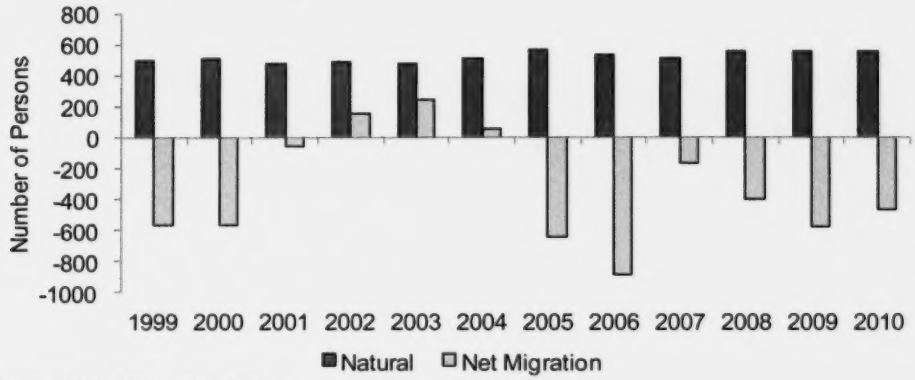
Source: Bank of Canada

Population

The NWT population was estimated to be 43,759 persons on July 1, 2010, an increase of 86 persons from July 1, 2009, or 0.2 per cent, reversing the decline experienced during the recession. Three factors account for population change: natural change, inter-

provincial migration and international migration. Natural increase from 2009 to 2010 consisted of 739 births and 186 deaths, resulting in a net increase of 553 persons. Inter-provincial migration accounted for 2,341 persons moving into the territories from the rest of Canada, while 2,818 persons moved out, leaving a net loss of 477 persons. Internationally, there was a net in-migration of 10 persons.

Changes in the NWT Population



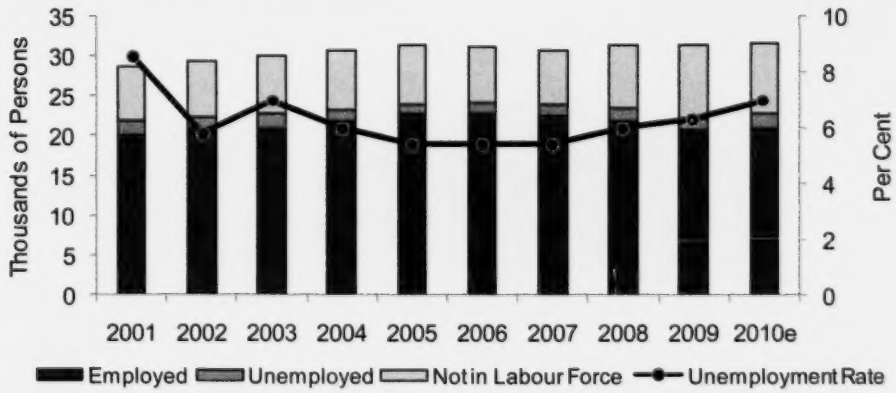
Source: NWT Bureau of Statistics

Labour

During 2010, NWT employment averaged 21,083 persons, an increase of 175 from the 2009 average of 20,908, but 984 below the 2007 pre-recessionary average of 22,067 persons. The average labour force participation rate (the share of the population 15 years of age or older actively seeking or holding a job) increased to 71.4 per cent in 2010, an increase of 0.7 percentage points from 2009. This was below the 2007 level of 75.1 per cent.

The NWT's average unemployment rate rose to 7.0 per cent in 2010 from 6.1 per cent in both 2008 and 2009 and 5.5 per cent in 2007.

NWT Labour Force Characteristics

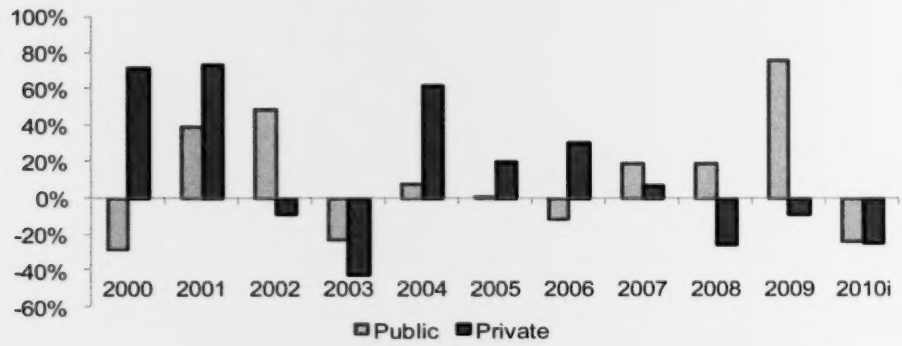


Source: NWT Bureau of Statistics
(e) estimate

Investment

Total 2010 capital investment intentions were down almost 25 per cent from 2009 and almost 40 per cent from 2007. Private sector investment fell from $1,248 million in 2009 to $939 million in 2010, almost half the 2007 level of $1,832 million. Capital investment by the public sector, which includes all levels of government, was accelerated in response to the recession, peaking at $342 million in 2009, more than double the 2007 value of $163 million. As of February 2010, Statistics Canada's forecast for 2010 public sector capital investment was $261 million; however, this does not include the revisions to the GNWT's capital investments, released October 2010.

Annual Percentage Change in Public and Private Capital Investments



Source: NWT Bureau of Statistics
(i) intentions

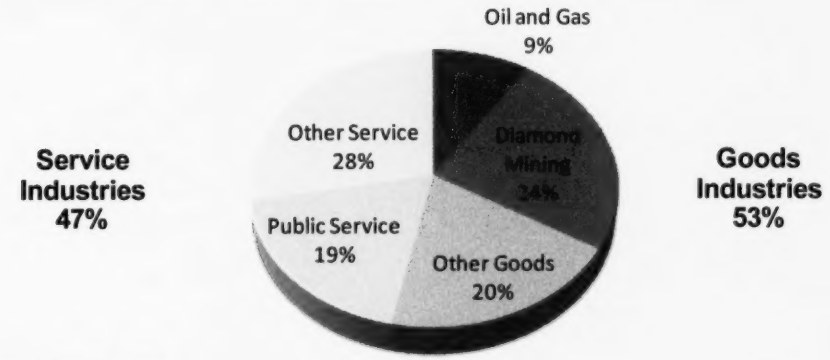
Economic Performance by Sector

The NWT economy is almost evenly balanced between goods-producing industries and service-producing industries. Goods-producing industries require more capital investment per unit of output than service-producing industries. Service-producing industries are more labour intensive and accounted for over 80 per cent of NWT employment in 2010.

Goods-Producing Industries

The goods-producing sector accounts for 53.3 per cent of the NWT economy, compared to only one-third of Canada's economy. Resource extraction industries dominate the goods-producing sector. The diamond mining industry was responsible for almost 25 per cent of 2007 NWT GDP and the oil and natural gas industries accounted for another nine per cent. Renewable resources, construction, utilities and manufacturing accounted for the remainder.

Structure of the NWT Economy, 2007



Source: Statistics Canada

Renewable Resources

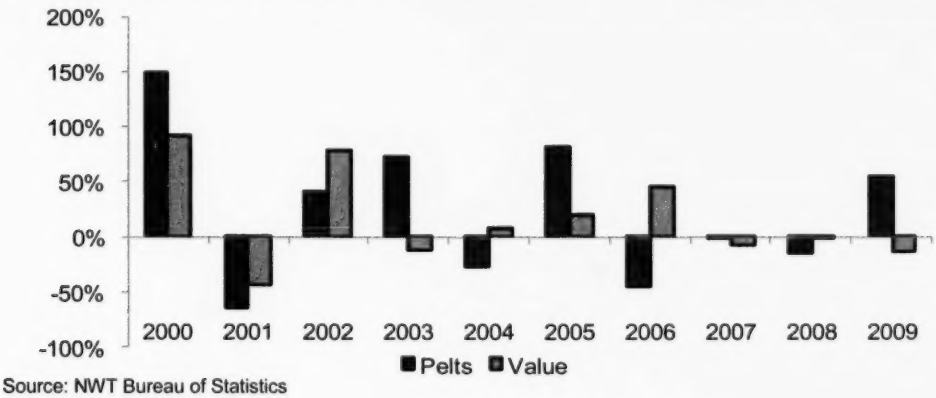
The renewable resource sector includes trapping, fishing, agriculture and forestry. Many NWT residents participate in traditional harvesting by trapping, fishing and hunting.

Fur Harvest

Trapping remains an important source of income for many people in the NWT, especially in the smaller communities, and allows for a connection with the land that is not possible in most other occupations. For the year ending June 30, 2009, the value of fur sales was $1.1 million, a decline of 13 per cent from the previous year. Price declines offset increased harvest volumes of marten and lynx.

The 2010 January wild fur auction showed positive results for most species, with buying strength from China and Greece. The average price of muskrat pelts doubled at the January 2010 auction from the previous year.

Annual Percentage Change in the Number and Value of NWT Pelts, 2000 to 2009

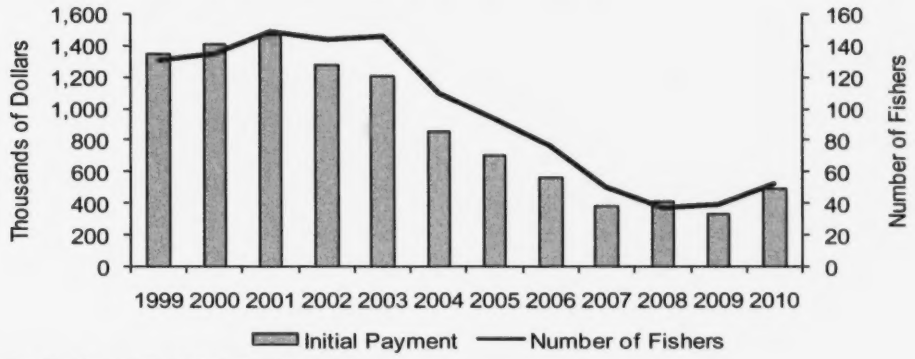


Source: NWT Bureau of Statistics

Commercial Fishing

The NWT's commercial fishery is a small but valued part of the economy. Fish exported from the NWT are marketed through the Freshwater Fish Marketing Corporation, a federal Crown corporation with a mandate across provincial and international borders from Northwestern Ontario, the three Prairie Provinces and the NWT.

NWT Export Fishery: Sales and Number of Fishers



Source: Freshwater Fish Marketing Corporation
Notes: 1. Includes only fish sold outside of the NWT
2. Summer fishery only

Initial payments to NWT fishers – on a delivery-point, net-of-freight basis – increased to $0.5 million in 2010 from $0.3 million the previous year. The increase was largely attributable to a 62 per cent increase in the delivered weight of whitefish for export.

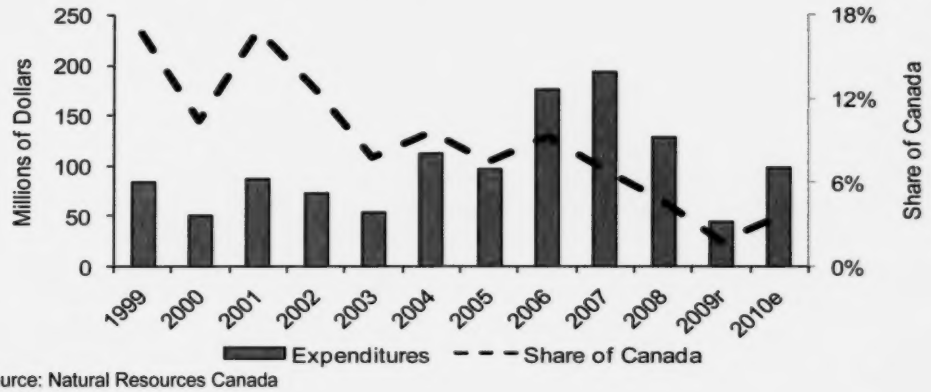
Non-Renewable Resources

Non-renewable resource industries form the largest component of the NWT GDP.

Exploration and Deposit Appraisal

Exploration expenditures include work on a range of mining activities, including field work, overhead costs, engineering, economic and pre-construction feasibility studies, and environmental and land access costs. Exploration expenditures in 2010 are estimated to have been $98.8 million, an increase of 124 per cent from 2009, with diamond exploration accounting for just over one-half of expenditures. Exploration and deposit appraisal expenditures rose nationally by almost 45 per cent. NWT exploration expenditures, as a share of total Canadian spending, doubled from 1.7 per cent in 2009 to 3.4 per cent in 2010.

NWT Mineral Exploration Expenditures

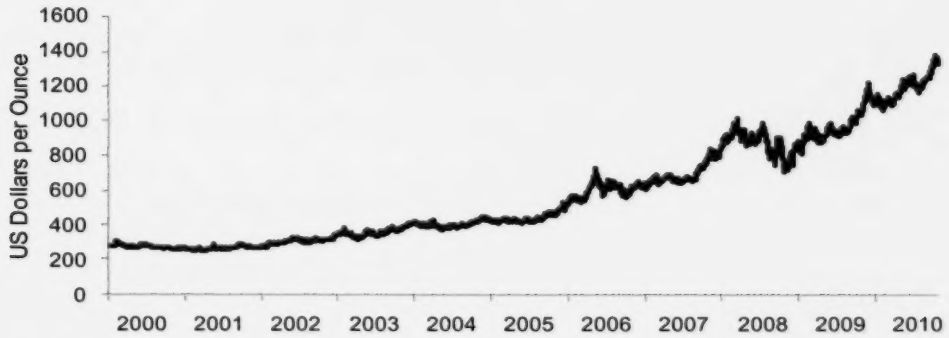


Source: Natural Resources Canada
(e) estimate
(r) revised

Precious Metals

Precious metals include gold and silver. After many decades of gold mining in the NWT, the last gold mine shut down in 2004. However, recent increases in gold and silver prices have led to renewed exploration activity. In 2010, precious metals accounted for just over 25 per cent of exploration expenditures, a three-fold increase over 2009.

Price of Gold

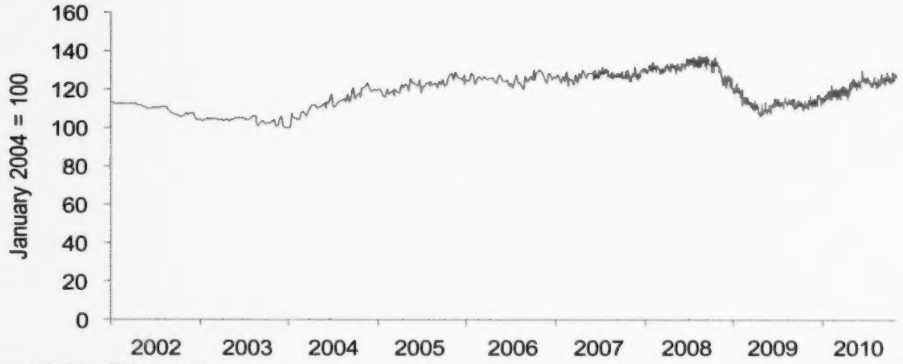


Source: Gold Insight

Diamond Mining

The main driver of the NWT economy is the diamond mining industry, with three producing diamond mines (the Ekati mine in 1998, Diavik in 2003 and Snap Lake in 2008). The owners of a fourth proposed mine, Gahcho Kué, are proceeding with the environmental assessment.

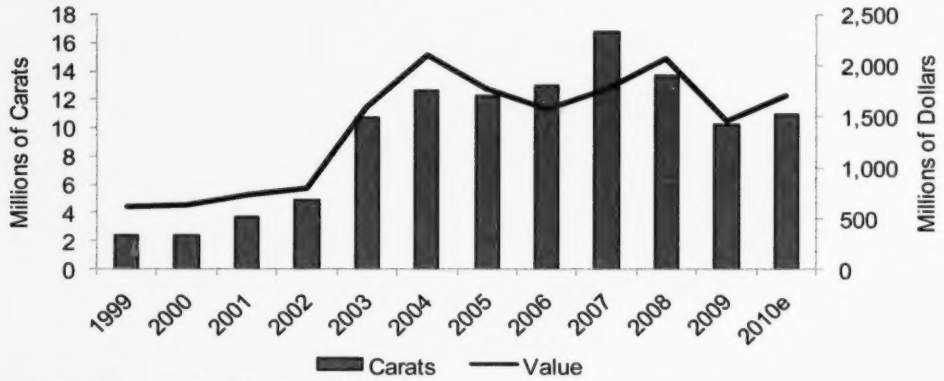
Polished Diamond Price Index, Overall



Source: PolishedPrices.com

The global diamond industry recovered during 2010 from the recession. Prices for rough diamonds increased by 20 per cent over a year ago, reflecting the relative scarcity of rough diamonds. The value of diamond shipments from the NWT rose by an estimated 18 per cent in 2010.

NWT Diamond Shipments: Weight and Value

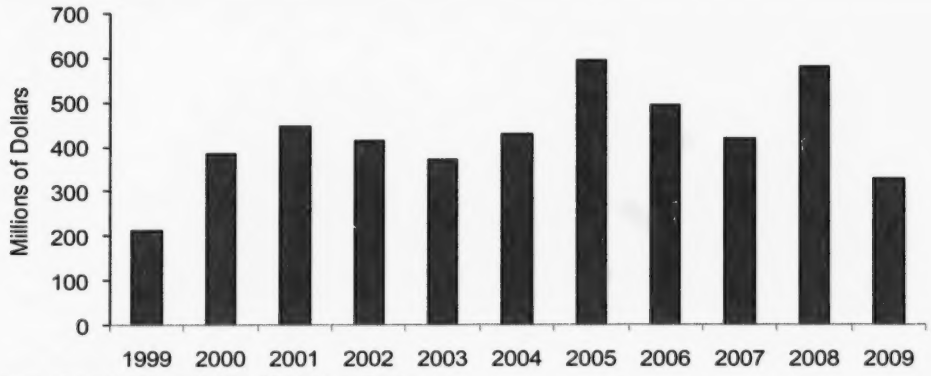


Source: NWT Bureau of Statistics and NWT Finance
(e) estimate

Oil and Natural Gas

Oil and gas production in the NWT is in decline due to the depletion of reserves. Growth in production requires new discoveries and new field development to replace depleted wells. Expenditures on oil and gas activities in the NWT fell from $576.8 million in 2008 to $328.3 million in 2009, a decrease of 43 per cent and the lowest level since 1999. Following the April 2010 oil spill in the Gulf of Mexico, the National Energy Board (NEB) announced its Arctic Offshore Drilling Review on May 11, 2010. The NEB will use the results of the review to develop safety and environmental protection requirements for offshore drilling in the Canadian Arctic.

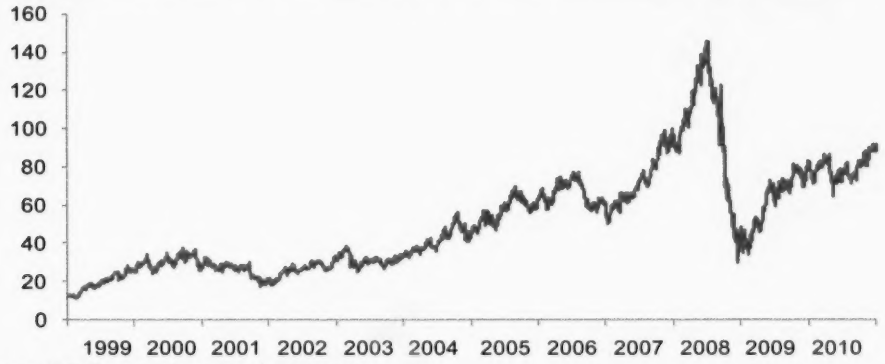
Net Cash Expenditures by the Petroleum Industry: NWT and the Arctic Islands



Source: Canadian Association of Petroleum Producers

Crude oil prices peaked on July 3, 2008 at US$145 per barrel before collapsing to US$40 at the beginning of 2009. During 2010, oil prices were stable, averaging close to US$80 per barrel. They reached an annual high of US$91.48 per barrel on December 28, 2010.

Price of Oil: Cushing, OK WTI Spot Price FOB (US Dollars Per Barrel)

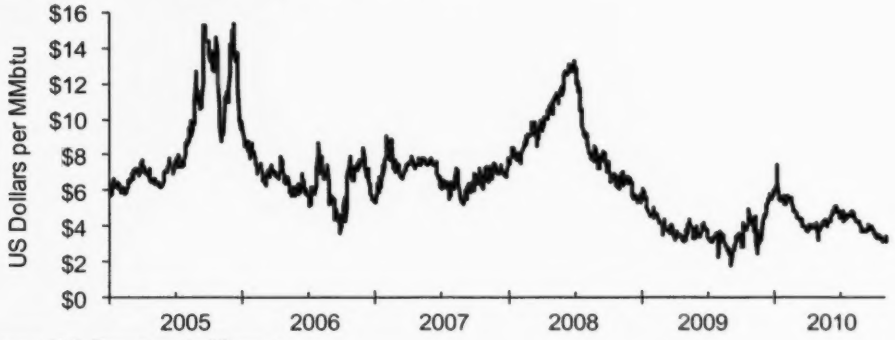


Source: U.S. Energy Information Administration

The Mackenzie Gas Project has been approved by the National Energy Board and is awaiting federal Cabinet approval. Should the pipeline proceed, substantial oil and gas exploration and production would likely take place in the Mackenzie Delta and Beaufort Sea areas, making the NWT a major exporter of energy resources.

The following chart shows the volatility of spot market natural gas prices. Much of this volatility results from the fixed level of short-term supply and weather-sensitive changes in demand. Through 2010 the spot price and the short-term futures price for natural gas averaged US$4.38 per mmBTU. Because of the volatility of spot natural gas prices, they are a less reliable indicator of the future health of the natural gas industry than futures prices, which reflect current expectations of future North American demand and supply conditions. Medium-term natural gas prices have also fallen since the spring of 2010.

Price of Natural Gas: Henry Hub Spot Price



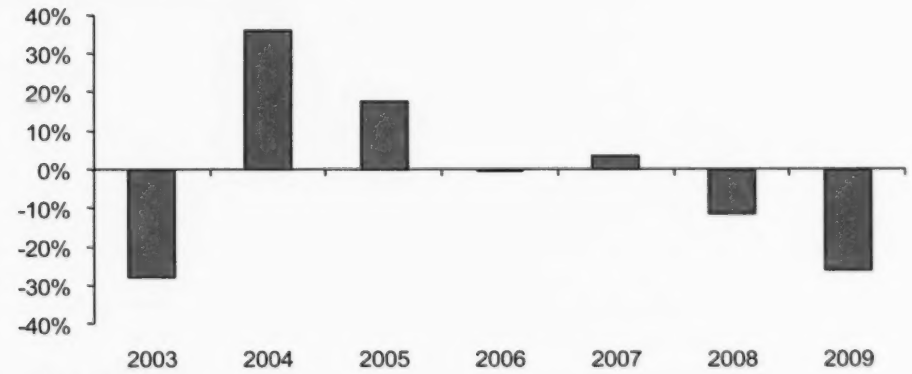
Source: U.S. Department of Energy

Construction

The construction industry includes residential construction and non-residential construction, and engineering services. The construction sector accounted for 11.9 per cent of NWT GDP in 2007. In 2006, the latest year with complete data, almost 50 per cent of the value of construction activity was attributed to "other engineering construction", and 20 per cent to "oil and gas engineering construction". Residential and non-residential construction together accounted for less than 20 per cent of total construction activity.

Construction activity decreased by 12 per cent from 2007 to 2008, decreased a further 26 per cent from 2008 to 2009 for a total decline of 35 per cent from 2007 to 2009. Two components of the construction industry had strong growth in 2009 – non-residential construction increased by 130 per cent and transportation engineering rose by over 90 per cent, driven in part by GNWT Department of Transportation infrastructure investments.

Annual Percentage Change in the Contribution of NWT Construction Activity to GDP, chained (2002) dollars

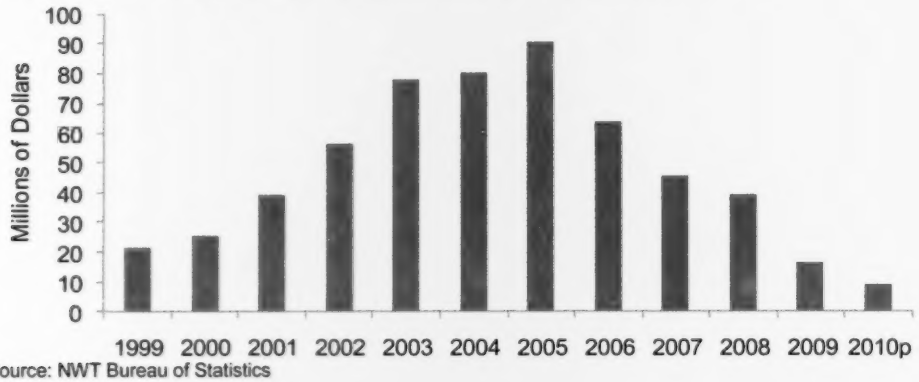


Source: Statistics Canada

Manufacturing

The NWT's manufacturing sector includes businesses such as food processors, cement and concrete producers, and jewellery artisans. The value of sales by manufacturers has fallen every year since peaking in 2005. Based on the reported value of shipments for the first ten months of 2010, sales are projected to fall by almost 45 per cent from 2009.

Value of NWT Shipments by Manufacturers, All Industries



Source: NWT Bureau of Statistics
(p) projected

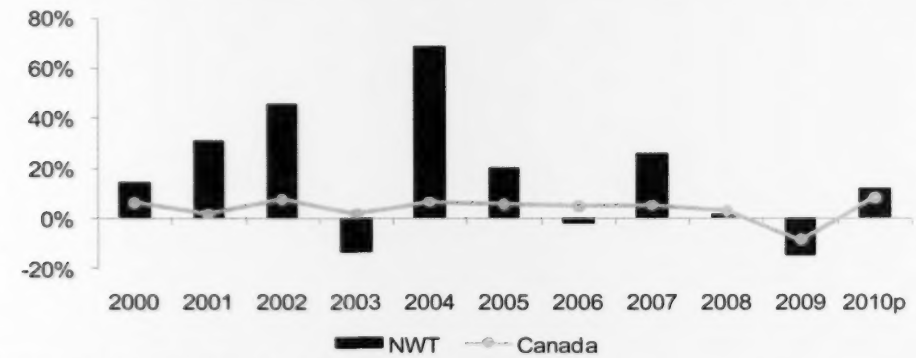
Service Industries

Service industries accounted for 46.7 per cent of NWT GDP in 2007, compared to 67.5 per cent nationally. The service sector includes industries such as wholesalers, banks, retailers and hotels. The broad public sector is also included in the service sector: schools, hospitals, and police and fire services, federal and territorial governments, as well as local and Aboriginal governments.

Wholesale Trade

Wholesalers handle the distribution of merchandise to retailers, businesses, and institutional customers, including the supply of equipment and capital goods. The sector is strongly influenced by capital investment and business activity.

Annual Percentage Change in the Value of Wholesale Trade, NWT and Canada



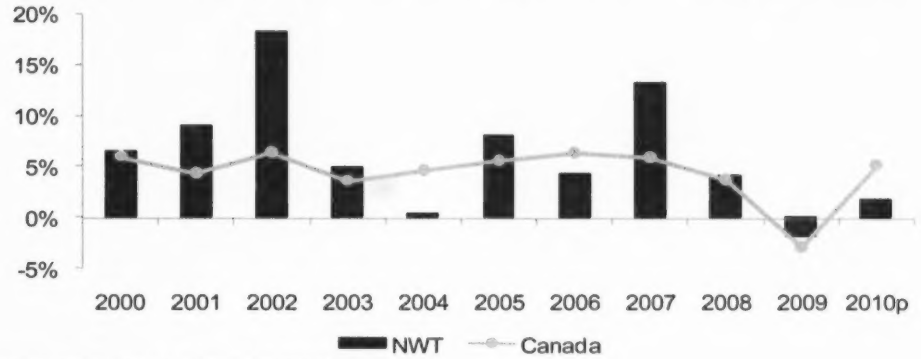
Source: NWT Bureau of Statistics and NWT Finance
(p) projected

Over the first ten months of 2010, wholesale trade is projected to have increased 12.9 per cent from the same period of 2009; however, it remains 4.0 per cent below the same period of 2008.

Retail Trade

Retail trade sales are sales to the final consumer and include all consumer services. Based on the first ten months of 2010, retail sales are projected to increase by 0.8 per cent from 2009 to 2010 but remain 1.9 per cent below 2008 sales.

Annual Percentage Change in the Value of Retail Trade, NWT and Canada



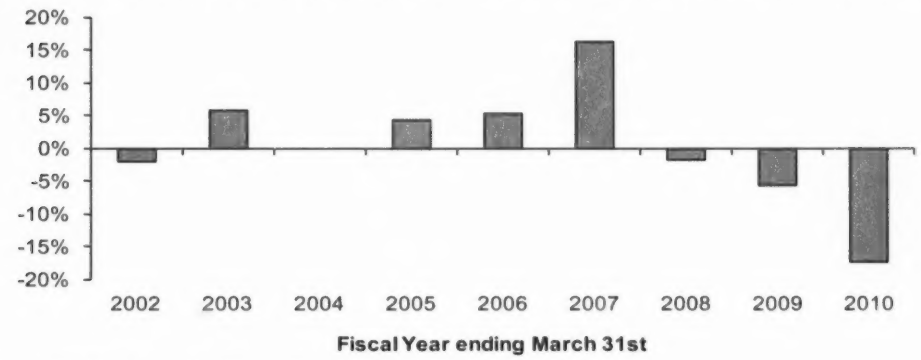
Source: NWT Bureau of Statistics and NWT Finance
(p) projected

Tourism

Tourism is an important part of the NWT economy, with large untapped potential. There are four components to the territory's tourism trade: eco-tourism, hunting and fishing lodges leisure travel and business travel.

Total spending by visitors peaked in 2007 at $140 million before falling in each of the following three years, for a total decrease of 23.4 per cent from 2006-07 to 2009-10. The number of business travellers declined 26.3 per cent over the same period.

Annual Percentage Change in the Total Expenditures by All Travellers to the NWT



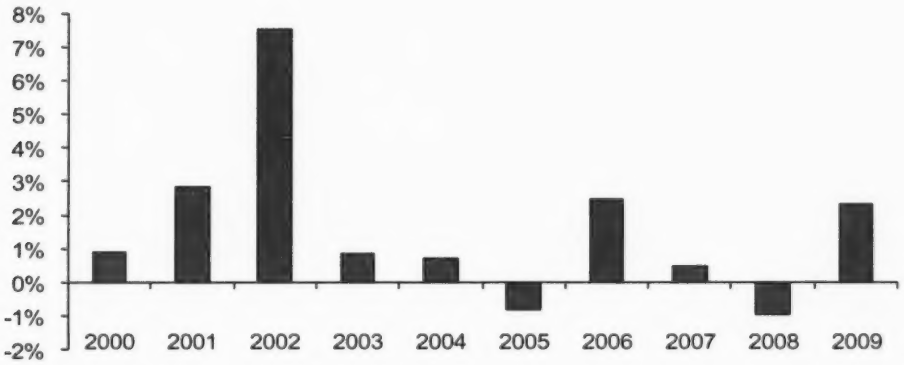
Source: NWT Industry, Tourism and Investment

Public Administration

Public administration includes all levels of government in the NWT (federal, territorial, local, and Aboriginal). This includes the courts, policing and correction services, fire protection, defence and public administration, but excludes the health, social services and education sectors.

Public sector expenditures increased by 2.3 per cent from 2008 to 2009, reflecting, in part, the GNWT's response to the recession with off-setting fiscal stimulus spending.

Annual Percentage Change in the Public Sector Expenditures, chained (2002) dollars



Source: Statistics Canada

FISCAL REVIEW

The 2011-12 Budget is the last budget of the 16th Legislative Assembly of the Northwest Territories. The Budget focuses on completing the strategic investments started in 2008-09 to improve the lives of NWT residents, to foster greater economic development, and to protect the environment, while ensuring a sound fiscal plan is in place for the start of the 17th Assembly.

The fiscal plan established by the Government of the Northwest Territories (GNWT) in 2008-09 allowed the Government to address challenges posed by world economic conditions in late 2008 and 2009. The GNWT used the economic slowdown to increase investments in infrastructure, helping to stabilize the NWT economy and allowing the GNWT to maximize the value of its investment. Operating spending was maintained and tax increases were deferred.

Measures taken early in the 16th Assembly to realign and reduce expenditures in some programs and services allowed for investments in strategic initiatives in priority areas. Including $16.9 million in new initiatives in the 2011-12 Budget, by the end of its term, the 16th Legislative Assembly will have invested almost $297 million in new initiatives in priority programs to support the economy, protect the environment, reduce the cost of living, invest in NWT residents, build sustainable communities and create affordable government. This includes three years of the four-year *Energy Investment Plan* that will invest $60 million in energy programs and infrastructure to help lower the cost of energy in the NWT and reduce the territory's reliance on fossil fuels.

The 2011-12 capital budget, approved in October 2010, plans to invest $155 million in territorial and federal funding in public infrastructure. The 2011-12 operating budget includes $16 million for housing infrastructure. Together with investments of $480 million in 2009-10 and $443 million in 2010-11, this represents a three-year, $1.1 billion investment in roads, bridges, schools, health centres, housing and other critical infrastructure.

Fiscal Situation

The GNWT is facing a sharp drop in corporate income tax (CIT) revenues in 2011-12 because of a decline in corporate income in 2009 due to the economic downturn. However, the government has avoided an operating deficit through strict adherence to spending targets.

Despite control over operating expenditure growth, the GNWT will need to borrow on a short-term basis to finance its program of infrastructure investment. The GNWT was prepared to take on debt to address the economic downturn and to take advantage of the slowdown to invest in badly needed infrastructure; however it was recognized that this strategy was not sustainable over the long term.

Effective April 1, 2010, the GNWT took over the assets and liabilities of the Deh Cho Bridge Corporation. The federal government has provided a five-year, $75 million increase in the GNWT's borrowing limit from 2010-11 to 2014-15 to accommodate this debt. This increase allowed the GNWT to take on the Bridge debt without altering its fiscal strategy. However, current revenue forecasts reinforce the need for the GNWT to adhere to the fiscal strategy in order to stay within the borrowing limit, especially for 2011-12 and 2012-13.

The GNWT's *Fiscal Responsibility Policy* sets out the guidelines for GNWT borrowing. Under the *Policy* the GNWT only borrows for infrastructure investments, self-liquidating investments, and repayable loan programs and the total GNWT debt is considered affordable as long as debt servicing payments (principal and interest) are no greater than 5 per cent of total revenues. Approximately 67 per cent of the GNWT's debt is self-financing; that is, the cost of servicing the debt is financed by a dedicated stream of revenues from tolls and customers, not by other government revenues. The GNWT's sound fiscal position is reflected in its Aa1 credit rating from Moody's Investors Service.

Pressures on expenditures from ongoing demands for government programs and services present challenges for keeping spending growth at moderate levels. Meeting these demands from within fiscal targets will require difficult decisions.

Fiscal Strategy

The GNWT remains committed to living within its means - to keeping its expenditure growth in line with revenue growth and adhering to the *Fiscal Responsibility Policy*. The GNWT plans to incur an affordable level of debt over the medium term to finance the investments in infrastructure that have supported the NWT economy during the economic slowdown. The challenge is to ensure that the Government's expenditures are sustainable over the longer term.

In 2008-09, the GNWT put in place a plan to ensure long-term fiscal sustainability. This involved making expenditure reductions that would avoid operating deficits and allow investment in priority areas. With the dramatic slowdown in the NWT economy, the fiscal strategy was revised and significant tax measures were deferred, the size of spending reductions was curtailed, and investment in infrastructure was greatly expanded. However, the measures taken up to that point gave the Government valuable flexibility to respond to the downturn.

Recognizing that this response was short-term, and that a return to a sustainable fiscal plan was necessary, a strategy of expenditure control was adopted. Expenditure growth has averaged 3.2 per cent annually since 2007-08, down from an average of 5.9 per cent over the previous four years.

The 2011-12 fiscal strategy, unchanged from 2010-11, includes the following key components.

- Starting in 2011-12, expenditure growth, net of compensation increases, will be capped at 3 per cent annually for new spending for both forced growth and new investments. Reductions may be identified through program reviews and could allow adjustments to this target.
- Once current infrastructure investment plan projects are completed, capital investment will be reduced to $75 million per year, starting in 2012-13.

2011-12 Budget

The 2011-12 Budget proposes operating expenditures of $1.34 billion and forecasts revenues of $1.36 billion. After taking into account infrastructure contributions and supplementary reserve requirements, an operating surplus of $17 million is forecast.

Infrastructure investments for 2011-12, approved in October 2010, are $155 million.

The large capital investments underway for 2010-11 and planned for 2011-12 will result in the GNWT incurring short-term direct debt of $155 million as of March 31, 2012. Other debt consists of $196 million in guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation, the NWT Housing Corporation and the Yellowknife Public Denominational District Education Authority and direct GNWT debt of $165 million incurred to finance construction of the Deh Cho Bridge. The federal government limits total borrowing by the GNWT and its corporations and agencies to a maximum of $575 million.

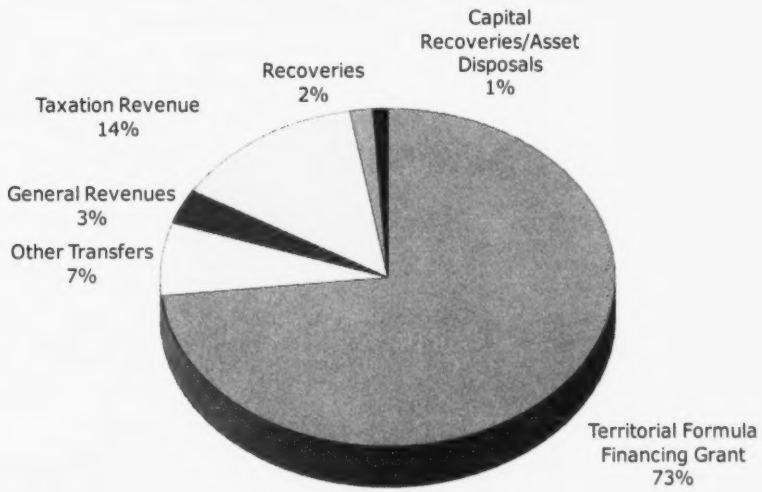
Revenues

Total 2011-12 revenues are forecast to increase by $39 million to $1.36 billion, a 2.9 per cent increase from the $1.32 billion projected in the 2010-11 Revised Estimates.

The 2011-12 Territorial Formula Financing Grant will increase by $76 million, to $996 million. Other transfers from Canada are forecast to be $95 million, a $7.3 million decrease from the 2010-11 Revised Estimates. The decrease is primarily due to the completion of Building Canada projects in 2010-11.

Taxation revenues are forecast to decrease 14 per cent, or $31 million, from the 2010-11 Revised Estimates. The decrease results from a $41 million decrease in forecast corporate income tax revenues, offset by $11 million in other forecast tax revenue increases.

2011-12 GNWT Revenues by Source

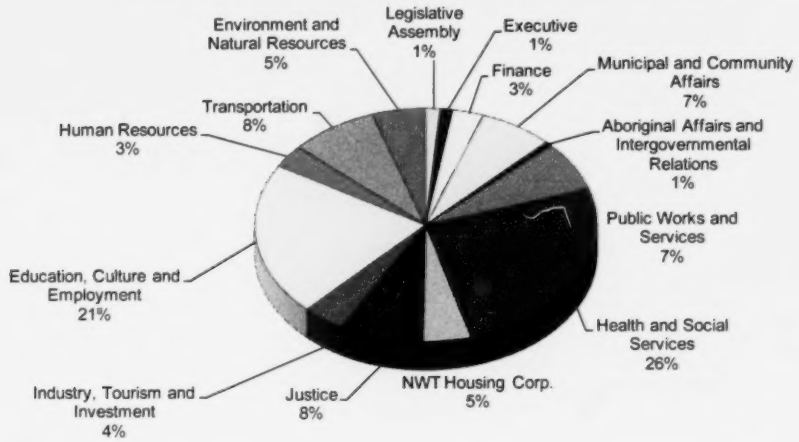


Expenditures

The 2011-12 Budget proposes $1.34 billion in operating expenditures.

Budgeted operating expenditures are forecast to increase $43.8 million from the 2010-11 Main Estimates, or 3.4 per cent (2.9 per cent increase from the 2010-11 Revised Estimates). Net of compensation increases, operating spending will increase 2 per cent, well within the cap established by the fiscal strategy.

2011-12 Operations Expenditures by Department



Initiatives

The 2011-12 Budget continues the investments begun in previous budgets of the 16th Legislative Assembly. Over the long term, these initiatives will improve the lives of NWT residents by encouraging economic development, lowering the cost of living, better protecting NWT lands and waters, supporting sustainable communities, and improving the efficiency of the GNWT in delivering programs and services.

Supporting Our Economy

The 2011-12 Budget continues investments in key priorities that support the economy and maximize opportunities from economic development. Investments that support employment training and economic diversification will produce, in the long run, a balanced, diversified and sustainable NWT economy.

To date, $47 million has been committed in strategic initiatives since the 2008-09 Budget. The 2011-12 Budget includes $15 million to continue these initiatives. A further $3.2 million in new funding is proposed for the following investments:

- $350,000 in additional funding for the Support to Entrepreneurs and Economic Development (SEED) Program to support the development of sustainable local economies.
- $1 million in annual support to extend the Tourism 2010 program (expires 2010-11) to 2015. The extended program, Tourism 2015, will continue ongoing programs from Tourism 2010 and will support outfitters as they adapt the tourism products and services they offer to new types of tourists.

Supporting the Economy (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Support Diversification				
New SEED policy and enhanced funding	4,800	2,050	350	7,200
Tourism Product Diversification and Marketing Fund	4,410	400	-	4,810
Sport Hunter Marketing Outfitting	880	580	-	1,460
Tourism 2015 (Extend *Tourism 2010*)	-	-	1,000	1,000
Cultural Interpretations at Parks	750	250	-	1,000
Parks Operations	570	290	-	860
Falcon Broadband Network	200	100	-	300
Western Harvesters Assistance Program (Acho Dene Koe First Nation)	264	-	-	264
Economic Development Officers	-	-	150	150
Improve Skills for Living and Working				
Trades in High Schools (Pupil/Teacher Adjustment)	8,430	2,810	-	11,240
Labour Market Literacy	1,500	750	-	2,250
Aurora College Programs	650	650	200	1,500
Apprentice Training	990	495	-	1,485
Additional Support for Apprentices	700	400	-	1,100
Small Community Employment Program	-	-	925	925
Mobile Trades Training	600	200	-	800
Training Program for Marine Services	300	100	-	400
Equipment Maintenance	240	120	-	360
Heavy Equipment Operator Training	240	120	-	360
Secondary School Diploma for Adults	100	-	-	100
Promote the NWT as a Place to Visit and Live				
Increased Support for the Arts	3,100	1,400	-	4,500
Promote the NWT at the 2010 Olympics	2,507	-	-	2,507
National Marketing Campaign	1,360	760	-	2,120
Support Immigration	1,060	511	-	1,571
Collection and Exhibit Renewal in Museum	600	300	200	1,100
NWT Growth Strategy	255	255	145	655
Hosting of the Western Premiers' Conference	80	80	115	275
Promote Arts and Crafts Production	125	125	-	250
Promote NWT Artists	100	100	-	200
Maximize Benefits from Resource Development and Related Initiatives				
Mackenzie Gas Project Strategic Investment	5,752	2,254	-	8,006
Energy Investment - Taltson Expansion	5,770	-	-	5,770
Mining Workforce Initiative MOU	250	150	-	400
Environmental Management Opportunities	250	-	-	250
Gahcho Kué Socio-Economic Agreement	-	-	150	150
Seasonal Overland Route in Slave Geologic Province Construction	50	-	-	50
TOTAL	46,883	15,250	3,235	65,368

- $150,000 to improve the delivery of economic development programs in some communities through the addition of two Economic Development Officer positions.
- $200,000 in additional funding to Aurora College to create Student Wellness Coordinator positions to support students to successfully complete their studies.
- $925,000 to create the Small Community Employment Program to support short-term job creation projects and skill development in communities where incomes are among the lowest and labour markets conditions are weakest.
- $200,000 for renewal of museum exhibits and collections.

- $145,000 to build on work underway under the *NWT Growth Strategy* to stimulate growth in the NWT population.
- $115,000 to host the 2011 Western Premiers' Conference.
- $150,000 to support a socio-economic technical review as part of the environment impact review of the Gahcho Kué mine project.

Reducing the Cost of Living

Strategies to support the NWT economy, build sustainable communities, and grow the NWT population must address the high cost of living in the NWT, especially in our remote communities. From 2008-09 to 2010-11, the GNWT has invested $39 million in long-term solutions to reduce the cost of living, especially in the smaller, highest-cost communities.

In addition to the $17 million in the 2011-12 Budget to continue funding initiatives from prior years, there is $2 million in additional funding for the following:

- $300,000 to perform a full review of the GNWT's policies for the provision of adequate, suitable and affordable housing in the NWT.
- $50,000 for transition costs to construct an annual winter road from the Whatì junction to Wekweètì.
- $20,000 for additional operating expenses related to extending the airport runways in Fort Good Hope, Tulita and Fort McPherson.
- $250,000 to improve the Mackenzie Valley Winter Road, including the Tulita/Great Bear ice crossings.
- $170,000 to extend the operating season of the Peel River and Arctic Red River ferry crossings on the Dempster Highway.
- $100,000 in investments to support a cost-effective and efficient food processing sector for the commercial harvesting, processing and marketing of fish and meat in the NWT.
- $50,000 to support the development of agriculture infrastructure in NWT communities in order to increase the availability of locally produced food.
- $475,000 to expand the Community Harvesters Assistance Program.
- $150,000 in one-time funding to review the NWT Student Financial Assistance Benefits program.
- $50,000 to update the *GNWT Energy Plan*.
- $180,000 to continue implementation of the *GNWT Energy Plan* relating to work performed by the Arctic Energy Alliance.
- $300,000 to support businesses making changes to their operations for energy conservation and efficiency.

Reducing the Cost of Living (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Improve Quality and Cost of Shelter				
Housing Strategies Aimed at Quality	4,000	2,000	-	6,000
Shelter Policy Review and Associated Activities	-	-	300	300
Improve Transportation Access to Communities				
Wekweèti Winter Road Construction	750	500	50	1,300
Dempster Highway Ice Bridge Construction	600	200	-	800
Runway Extensions O&M (Fort Good Hope, Tulita, Fort McPherson)	188	103	20	311
Fort Simpson Region Ice Bridge Construction Acceleration	150	150	-	300
Mackenzie Valley Winter Road Improvements	-	-	250	250
Dempster Highway Ferry Operations Extension	-	-	170	170
Address Factors that Impact the Cost of Goods				
Commercial Harvest, Processing & Marketing of NWT Fish & Meat	450	450	100	1,000
Agriculture Development Infrastructure	250	250	50	550
Community Harvesters Assistance Program	-	-	475	475
Undertake Research Associated with NWT Nutritious Food	400	-	-	400
Overall Review of Electrical Rates and Regulations	200	-	-	200
Support Families and Individuals				
Income Security	17,850	5,950	-	23,800
Next Steps in Income Security Reform	601	283	-	884
Income Support - Senior Supp. Benefit	465	155	-	620
Update the Cost of Living Rent Reduction	160	-	-	160
Student Financial Assistance Benefits Review	-	-	150	150
Energy Policy				
Reduction - NTPC Rate Riders	3,000	3,000	-	6,000
Electricity Review	300	-	-	300
Community Pricing Survey	150	150	-	300
NTPC Review	200	-	-	200
Energy Plan Renewal	-	-	50	50
Energy Conservation and Efficiency				
Expansion of Residual Heat (Holman, Fort Liard, Simpson, Inuvik)	2,100	1,000	-	3,100
GNWT Energy Plan: Arctic Energy Alliance	1,493	693	180	2,366
GNWT Energy Plan: Energy Efficiency Incentive Program	1,200	400	-	1,600
Energy Efficiency Initiatives	620	150	-	770
Support for Community Energy Plans	450	150	-	600
GNWT Energy Plan: EnerGuide for Houses	450	150	-	600
GNWT Energy Plan: Energy Information and Awareness	300	100	-	400
Business Support Program	-	-	300	300
Other				
Hydro Strategy	2,716	1,250	-	3,966
Natural Gas Conversion (Fort Simpson, Tulita, Fort Good Hope)	200	-	-	200
TOTAL	39,243	17,084	2,095	58,422

Protecting Our Environment

In the first three years of the 16th Legislative Assembly, $26 million in new initiatives were undertaken to ensure that NWT land and water resources were used in ways that protect these resources for future generations. In addition to the $12 million in the 2011-12 Budget to continue these initiatives, $4.7 million in new funding will be provided in 2011-12 for the following:

- $350,000 to establish an Aboriginal Consultation Unit to provide policy advice and legal support to ensure that GNWT consultation practices remain effective and current.
- $343,000 to implement the *NWT Water Strategy*.

Protecting the Environment (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Continue to Develop Governance				
Finalize and Implement Land, Resource and Self-Government	1,982	991	-	2,973
Develop a Land Use Framework	982	703	-	1,685
Advance Devolution Discussions	1,138	414	-	1,552
Legal Services for Land, Resources & Self-Gov't Negotiations	548	274	-	822
Aboriginal Consultation Unit	-	-	350	350
Implement the Consultation Framework	64	-	-	64
Protect Territorial Water				
NWT Water Stewardship Strategy	1,493	1,157	343	2,993
Water Supply System Upgrades, Training and Support	1,420	475	-	1,895
Participate in Management of Transboundary Waters	390	30	-	420
Aquatic Ecosystem Indicators	200	200	-	400
Source Water Protection	115	115	-	230
Improve Environmental Monitoring Efforts				
Ecoregion Mapping	950	-	-	950
Support initiatives under the Western NWT Biophysical Study	250	-	-	250
Environmental Stewardship				
Monitoring Caribou Herds	2,970	1,000	-	3,970
Species at Risk Act	969	780	-	1,749
Caribou Management Strategy	560	-	1,000	1,560
Wildlife Act	600	400	100	1,100
Traditional Knowledge Implementation Strategy	480	300	-	780
Protected Areas - Critical Wildlife Areas	227	227	200	654
Developing Community Fire Protection Plans	420	210	-	630
Waste Recovery Program	400	100	-	500
Protected Area Strategy Analyst	250	250	-	500
Mitigate and Adapt to Climate Change Impacts				
Climate Change Adaptation Plan	400	250	-	650
Delivery of Greenhouse Gas Strategy	400	200	-	600
Mini-Hydro Facility (Lutsel K'e)	1,080	450	2,350	3,880
Mini-Hydro / Transmission Line (Whati)	520	250	-	770
Sahtu Hydro / Bear River Feasibility (Deline / Tulita)	185	100	100	385
In stream Hydro Power (Mark River communities)	300	-	-	300
Transmission Line (Fort Providence)	50	-	-	50
Biomass Strategy Implementation	2,530	1,800	200	4,530
Wind Energy Supply (Tuktoyaktuk, Uluhaktuk)	1,400	600	-	2,000
GNWT Energy Plan: Alternative Energy Sources	1,350	450	-	1,800
Support for Geothermal Technology (Deh Cho)	530	450	50	1,030
Solar Power for Swimming Pools (15 communities)	300	-	-	300
Wind Energy Electricity Supply	200	-	-	200
TOTAL	25,653	12,176	4,693	42,522

- $1 million to carry out management action plans under the *Caribou Management Strategy*.
- $100,000 to develop and implement the new *Wildlife Act* to better protect and manage wildlife in the NWT.
- $200,000 to establish critical wildlife protected areas under the *Protected Areas Strategy*.
- $2.7 million to continue energy initiatives designed to replace diesel-generated electrical power.

Investing in Our People

In the 2008-09 to 2010-11 Budgets, the GNWT invested $29 million in initiatives designed to enhance programs directed at education, health care, housing and policing services during the 16th Legislative Assembly. Almost two-thirds of the GNWT's total operating budget, or $798 million, funds programs in these areas.

In addition to $17 million to continue previous initiatives, a total of $2.5 million in new funds will be provided in the 2011-12 Budget for programs that focus on children and youth, promote healthy choices, address addictions, support families and seniors, and increase the safety and security of individuals and communities, including:

- $500,000 to implement further measures under the Aboriginal Student Achievement programs.
- $300,000 to increase access to Aurora College School of Education programs in communities by directing more funds to Community Based Teacher Education programs. Programs funded under this initiative will allow the College to train more Aboriginal teachers and language and cultural instructors.
- $75,000 for a pilot program to expand respite services and enhance caregiver support and training for families of children and youth with special needs outside of Yellowknife.
- $150,000 to implement a permanent Youth Ambassador program. This builds on the success of six pilot Youth Ambassador programs that recruited, trained and provided youths from most NWT communities with significant volunteer leadership development opportunities.
- $150,000 to establish an Office of the Children's lawyer to provide legal services and representation for children in matters where a judge determines that a child needs independent legal representation.
- $118,000 to fund a Fetal Alcohol Spectrum Disorder (FASD) Consultant position to support effective strategies and program modifications for individuals affected by FASD and other cognitive disabilities who come into contact with the justice system.
- $500,000 to further implement the *Healthy Choices Framework*, an investment to improve the health and wellness of NWT residents.
- $10,000 to continue the Human Papiloma Virus (HPV) Vaccination Program.
- $23,000 to perform an evaluation on enhancing community programs and stabilizing shelters related to family violence.
- $650,000 of ongoing funding to increase the availability of home care for seniors and other patients needing home care, which will allow these NWT residents to stay in their homes as long as possible and alleviate the higher costs associated with facility living and care.

Investing in Our People (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Expand Programming for Children and Youth				
Expansion of Early Childhood Development Programs	3,200	1,400	-	4,600
Aboriginal Student Achievement	1,300	1,300	500	3,100
MACA Youth Programs	1,480	840	-	2,320
Youth Centres	1,250	500	-	1,750
Community Based Teacher Education Program	900	300	300	1,500
Multisport Games	650	650	-	1,300
Early Childhood Small Communities' Initiative	600	600	-	1,200
In House Respite services for families of Special Needs Children	800	288	75	1,163
Youth Support - Regional Youth Officers	450	450	-	900
Regional Youth Sports Events	400	400	-	800
Take a Kid Trapping	375	125	-	500
Small Community School Initiative	450	-	-	450
Youth Ambassador Program	-	-	150	150
Children's Lawyer	-	-	150	150
FASD Consultant	-	-	118	118
Encourage Healthy Choices and Address Addictions				
Healthy Choices Framework	2,550	1,800	500	4,850
HPV Vaccination Program	1,107	331	10	1,448
Addictions initiatives related to aftercare	900	450	-	1,350
Implement Phase II of the Framework for Action on Family Violence				
Enhance Community Services	1,402	482	23	1,907
Stabilize Existing Family Violence Shelters	1,130	450	-	1,580
Program for Men who Use Violence in Intimate Relationships	317	192	-	509
Strengthen Continuum of care for Seniors				
Territorial Dementia Facility	4,965	3,503	-	8,468
Hay River Territorial Supported Living Campus	4,184	2,504	-	6,688
Expanding Community and Home Care	-	-	650	650
Enhance Support for the Voluntary Sector	300	150	-	450
Increase Safety and Security				
Reduce Alcohol and Drug Related Crime	200	100	-	300
Drive Alive! Program	150	150	-	300
Family Law Programs and Services	65	65	-	130
TOTAL	29,125	17,030	2,476	48,631

Supporting Sustainable Communities

The goals of the 16th Legislative Assembly include achieving sustainable, vibrant and safe communities in the NWT. The GNWT's investments in programs to enhance community capacity for capital planning and delivery have increased economic activity in many NWT communities.

The 2011-12 Budget includes $2.3 million in new investments, including:

- $150,000 to help community governments implement their Integrated Community Sustainability Plans that were developed as part of the Federal/NWT Gas Tax Agreement.
- $300,000 of ongoing funding to increase fire protection and public safety by providing all community governments with fire fighter and emergency management training.

Supporting Sustainable Communities (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Strengthen Service Delivery				
Single Window Service Centres	950	838	-	1,788
Consolidated Health Clinics in Yellowknife	877	773	-	1,650
Housing for Staff Project	1,500	-	-	1,500
Community Access Roads Program	677	677	-	1,354
Stabilizing the Non-Government Organization Sector	780	390	-	1,170
Enhanced Communication Capacity	300	150	-	450
Defining Service Levels in Rural and Remote Communities	250	-	-	250
Support for Community Sustainability Plans	-	-	150	150
Annual Court Worker Training	23	23	-	46
Crime Prevention and Policing				
Enhancing Policing Services	3,987	1,871	-	5,858
RCMP in Smaller Communities	2,541	1,067	-	3,608
Support for ground ambulance and highway rescue services	600	200	-	800
Service delivery analysis, policy and legislative work	450	150	-	600
South Slave Interception Task Force	356	156	-	512
Fire Emergency Training	-	-	300	300
Enhanced Crime Prevention	135	131	-	266
Community Safety Strategy	-	-	100	100
Employment Opportunities				
New Apprentices in Designated Trades and Occupations	4,752	-	-	4,752
Small Community Employment Supports	350	350	-	700
Land Administration				
Land Administration Program Delivery	924	462	-	1,386
Land Administration Survey Program	-	-	250	250
Other				
Official Language Implementation - French	-	-	1,150	1,150
Support Official Languages	650	250	-	900
Aboriginal Language Summer Institute Expansion	223	223	300	746
TOTAL	20,325	7,711	2,250	30,286

- $100,000 to develop and implement a *Community Safety Strategy* that will identify community safety issues and the options available to communities to complement police work and help make communities safer.
- $250,000 to complete legal land surveys under the Land Administration Survey Program to ensure that community public infrastructure will be transferred legally to municipal governments.
- $1.15 million to implement the GNWT *Strategic Plan on French Language Communications and Services* to improve government communications and services delivery to the public in French.
- $300,000 to expand the number of courses in the Aboriginal Language Summer Institute.

Creating Affordable Government

The GNWT seeks to deliver programs and services in the most efficient way. Work is ongoing to improve the way the GNWT plans and delivers infrastructure, improve human resource management, ensure effective service delivery in smaller NWT communities,

and stabilize the GNWT's relationship with non-government organizations. Almost $2.2 million in new initiatives will be provided in 2011-12 to improve the way the GNWT does business, including:

- $1 million to continue the implementation of recruitment and retention strategies under the *NWT Public Service Strategic Plan.*
- $50,000 for implementation of the Financial Shared Services Model, which is designed to consolidate government financial processing activities in order to eliminate duplication and unnecessary processes.
- $375,000 to complete systems development work that will deliver the new supplementary health benefits program efficiently and fairly.
- $109,000 to address the increased costs relating to *Access to Information and Protection of Privacy* legislation.
- $200,000 to strengthen the GNWT's relationship with the federal government.
- $450,000 to install a wood pellet boiler in Fort Simpson, thereby reducing the GNWT's reliance on diesel fuel.

Creating Affordable Government (thousands of dollars)	2008-09 to 2010-11 Amounts	2011-12 Amounts (Previously Committed)	Increase in 2011-12 Budget	Total 16th Legislative Assembly New or Reallocated Spending
Conduct Program Review	1,426	501	-	1,927
Change the GNWT's Approach to Infrastructure				
O&M to Focus on Deferred Maintenance	8,650	3,000	-	11,650
Settlement Maintainers for PWS	400	394	-	794
Wood Pile Repair Program	550	-	-	550
Corporate Capital Planner	134	134	-	268
Improve Human Resource Management in the NWT				
Recruitment and Retention Strategies	3,317	2,884	1,000	7,201
Improve and Stabilize Service Delivery to GNWT Departments	2,300	1,247	-	3,547
Improve Community Capacity	2,000	1,000	-	3,000
Manage the Cost of Government				
Electronic Health, Medical Records & Imaging	1,733	916	-	2,649
Retaining Land & Technical Capacity in NWTHC	1,188	594	-	1,782
Knowledge Management Strategy Renewal	800	500	-	1,300
Science Agenda Implementation	298	298	-	596
Financial Shared Services and Procurement	250	250	50	550
Stabilizing Health Administration Systems	-	-	375	375
Coroner Service	99	97	-	196
2011 Census Support	155	35	-	190
Enhancing GNWT Oversight on Access and Privacy Functions	-	-	109	109
Support for ECE Internet System	106	-	-	106
Implementing the Federal Engagement Strategy	-	-	200	200
Initiatives to Reduce GNWT Energy Costs				
Capital Asset Retrofit Fund	6,700	3,050	-	9,750
Public Housing Upgrades (Diesel communities)	2,000	1,000	-	3,000
Wood Pellet Boiler (Fort Simpson)	200	200	450	850
GNWT Energy Plan: Energy Management Specialist	375	125	-	500
Wood Pellet Boiler (Legislative Assembly)	485	-	-	485
TOTAL	33,166	16,225	2,184	51,575

Energy Investments

In the 2009-10 Budget, the GNWT committed $60 million over four years to advance the *GNWT Energy Investment Plan*. This Plan is focussed on finding energy alternatives to reduce the NWT's reliance on diesel fuel and lower the cost of living in the NWT.

The following table describes the investments under the first three years of the *Plan*.

Energy Investment Plan Initiatives (thousands of dollars)	2009-10 Actual	2010-11 Revised Estimates	2011-12 Budget	Total
Hydro Strategy	816	1,500	1,250	3,566
Mini-Hydro Facility (Lutsel K'e)	630	450	2,800	3,880
Mini-Hydro / Transmission Line (Whati)	270	250	250	770
Transmission Line (Fort Providence)	50	-	-	50
Sahtu Hydro / Bear River Feasibility (Deline / Tulita)	85	100	200	385
Natural Gas Conversion (Fort Simpson, Tulita, Fort Good Hope)	100	100	-	200
Biomass Strategy Implementation	730	1,800	2,000	4,530
Wind Energy Supply (Tuktoyaktuk, Uluhaktuk)	200	1,200	600	2,000
Solar Power for Swimming Pools (15 communities)	-	300	-	300
Instream Hydro Power	175	125	-	300
Support for Geothermal Technology (Deh Cho)	80	450	500	1,030
Energy Efficiency Initiatives	270	350	150	770
Increased Community Presence of AEA	500	543	723	1,766
Business Support Program	-	-	300	300
Support for Community Energy Plans	300	150	150	600
Expansion of Residual Heat (Holman, Fort Liard, Simpson, Inuvik)	300	1,800	1,000	3,100
Reduction - NTPC Rate Riders	-	3,000	3,000	6,000
Energy Plan Renewal	-	-	50	50
NTPC Review	200	-	-	200
Electricity Review	250	50	-	300
Community Pricing Survey	-	150	150	300
Capital Asset Retrofit Fund	1,500	4,500	2,750	8,750
Wood Pellet Boiler (Legislative Assembly)	60	390	-	450
Wood Pellet Boiler (Fort Simpson)	-	200	650	850
Public Housing Upgrades (Diesel communities)	1,000	1,000	1,000	3,000
Energy Development and Supply - Taltson Expansion	2,570	200	-	2,770
TOTAL	10,086	18,608	17,523	46,217

Infrastructure

The 2011-12 capital budget was approved in October 2010. In total, $126 million will be invested in infrastructure and $28 million in infrastructure contributions in 2011-12 including:

- $27.4 million for school replacements, renovations and additions,
- $50.7 million for highways and roads across the NWT,
- $28.0 million in Formula Funding for community infrastructure,
- $15.5 million in health infrastructure investments,
- $5.0 million for information system technology upgrades and replacements,
- $15.8 million for upgrades and renovations to GNWT buildings,
- $11.7 million for airport infrastructure improvements,
- $600,000 for parks infrastructure, and
- $300,000 for tank farm upgrades and capacity increases.

Included in the *2011-12 Main Estimates* is $16.4 million in housing investments delivered through the *2011-12 Capital Plan* of the NWT Housing Corporation.

Revenue Measures

The 2011-12 Budget contains no new taxes.

Effective April 1, 2011, tobacco tax, property tax and liquor mark-ups will be adjusted for inflation and a number of fees will be adjusted to reflect increases in the cost of providing these services since the last time that they were increased.

In September 2010 the NWT Department of Finance launched a public discussions on proposals for a carbon tax and a hotel tax and a roundtable was held in October 2010. The carbon tax was put forward for discussion because of the interest for such a tax expressed during the two previous revenue consultations. The hotel tax option was presented in response to a motion by the Northwest Territories Association of Communities supporting territorial legislation to allow for a municipal hotel room levy to fund tourism marketing and development initiatives. These potential new taxes would align with the GNWT's priorities to protect the environment and promote the NWT as a place to visit or live.

The results of the consultation will be available for the consideration of the next Legislative Assembly. The introduction of a carbon tax would be a significant change to the NWT tax system and requires considerable research and analysis and further consultation before a detailed proposal is brought forward. A hotel tax would require further consultation with communities and the tourism industry.

Looking Ahead

Medium-Term Outlook

The following table shows the GNWT's medium-term outlook, given current fiscal projections and including all components of the fiscal strategy. Despite having to borrow to fund the recent large infrastructure investments, control over expenditure growth and a reduction in infrastructure investments to historical levels will reduce debt levels over the medium term.

Achieving this fiscal outlook will require considerable discipline and careful consideration of priorities.

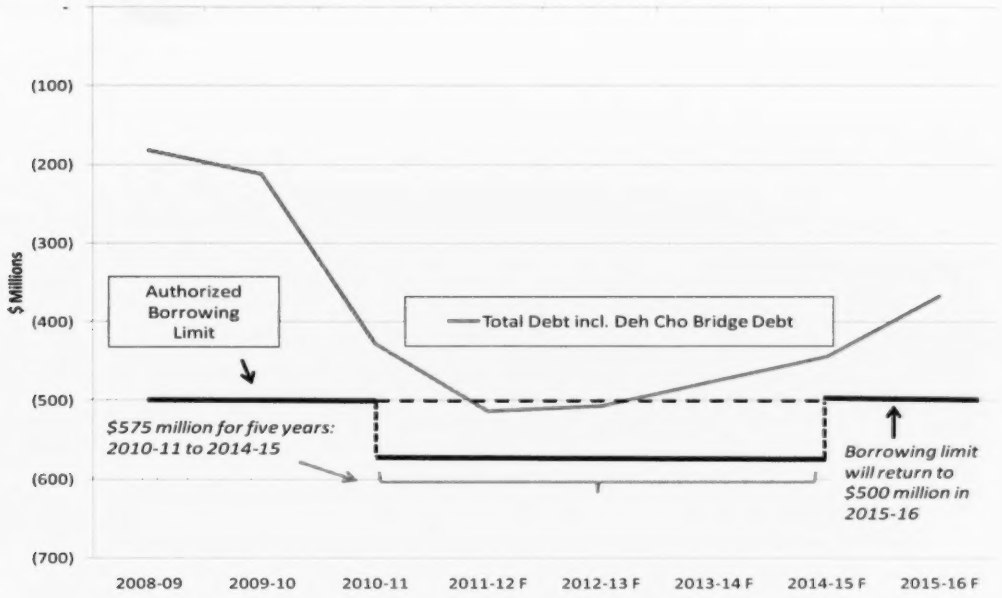
Medium-Term Outlook ($ millions)

	2009-10 Actuals	2010-11 Estimates	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast
Revenues	1,291	1,320	1,358	1,475	1,554	1,605	1,651
Expenditures	(1,339)	(1,313)	(1,341)	(1,410)	(1,461)	(1,512)	(1,564)
Operating Surplus (Deficit)	(48)	7	17	65	93	93	87
Capital Investment Requirements	112	214	166	118	99	94	85
Accumulated Cash Surplus (Deficit) as of March 31	(42)	(64)	(155)	(154)	(126)	(98)	(22)
Total Guaranteed Debt [1]	(171)	(199)	(196)	(192)	(191)	(190)	(191)
Other Debt [2]	-	(165)	(164)	(162)	(160)	(157)	(155)
Total Debt	(213)	(428)	(515)	(508)	(477)	(445)	(368)
Total Borrowing Authority	500	575	575	575	575	575	500
Available Borrowing Authority	287	147	60	67	98	130	132

[1] Includes NWT Power Corp, NWT Energy Corp, NWT Housing Corp and Yellowknife Public Denominational District Education Authority debt.

[2] Includes debt incurred to finance the Deh Cho Bridge construction.

Total GNWT Debt Forecast for Purposes of Borrowing Limit



Some key initiatives that will carry on into the 17th Legislative Assembly include:

- Devolution – An Agreement-in-Principle (AIP) to transfer authority over Crown lands from Canada to the GNWT was signed on January 26, 2010. The next step will be to complete a final agreement, including reaching a resource revenue-sharing agreement with regional Aboriginal governments, developing an agreement with Canada on post-devolution resource development cooperation, completing a government-to-government agreement with regional Aboriginal governments on post-devolution resource management, and completing transitional activities described in the AIP related to the transfer of program responsibilities from Canada to the GNWT. The AIP provides for a net fiscal benefit to the GNWT of 50 per cent of resource revenues, subject to a cap equivalent to 5 per cent of the Gross Expenditure Base in Territorial Formula Financing (about $60 million in 2010-11). However, the broader goal is to transfer authority over NWT lands and resources from the federal government to the North so that NWT residents have the power to influence and control NWT land management decisions.
- Health Care Reform – A *Foundation for Change* was launched in 2009 to set out changes needed to ensure the wellness of NWT residents and accessibility and sustainability of the NWT health and social services system. An extensive review of the health care system components is being done and dialogue is underway with stakeholders on how to build a better foundation of wellness through reinforcement or reform of the structures and partnerships that hold the health and social services system together.

Addressing the NWT's significant infrastructure deficit will continue to be a priority for the GNWT. The following three major projects are priorities.

- The Deh Cho Bridge is the largest public infrastructure project undertaken in the NWT. The bridge will ensure year-round highway access for half of the NWT's

population. Work is underway to address issues from the Phase 1 audit and Phase 2 of construction is on schedule. The bridge completion date remains late 2011.

- The Taltson Hydro Expansion project would be a boost for the NWT economy. Work is underway to address concerns raised by the federal government in response to the report issued by the Mackenzie Valley Environmental Impact Review Board and to conclude discussions with potential customers. Based on these discussions, the financial viability of the project will be updated.
- The Mackenzie Valley Highway, with an estimated construction cost of $1.8 billion between Wrigley and Tuktoyaktuk, would provide most of the communities of the Mackenzie Valley with an all-weather road, reduce living costs for residents, and open up the rest of the Mackenzie Valley, where current seasonal ice road access is unpredictable. A Project Description Report for the construction of an all-weather road from Inuvik to Tuktoyaktuk is under consideration by the Environmental Impact Review Board and a report is being drafted for the highway between Wrigley and the Dempster Highway. This work will help to engage the federal government in discussions on funding and construction. Completion of this report will allow the 17th Legislative Assembly to consider a construction application to regulators.

Risks to the Medium-Term Outlook

The Territorial Formula Financing (TFF) Grant forms about 70 per cent of the GNWT's revenues and therefore revenue risks to the GNWT's medium-term revenue forecast focus on changes in the TFF Grant. The Grant is calculated according to a formula set in federal legislation and is based on a number of variables such as population growth, the GNWT's own-source revenues and spending by provincial and local governments. However, because each year's Grant is fixed, changes in own-source revenues, particularly corporate income tax revenues, can pose significant short-term risks to total revenues. The lack of responsiveness in TFF over the short-term to changes in own-source revenues makes volatility in these revenues an important consideration in forecasts of revenues and cash for planning purposes. Over time, however, TFF Grant entitlements do respond to changes in the GNWT's own-source revenues.

Own-source revenues comprise over 25 per cent of GNWT revenues and taxation revenues represent over 70 per cent of own-source revenues. Changes to taxation revenue carry a significant risk to the medium-term forecast as declines in own-source revenues are only partially offset by increases in the TFF Grant.

Revenues from personal income tax, payroll tax, and fuel taxes may decline in the event of an economic slowdown; however, declines in these taxes can usually be reliably forecast and fiscal plans adjusted accordingly. Corporate income tax, however, is the GNWT's most volatile revenue source and the potential for large swings in corporate income tax brings uncertainty to the medium-term outlook.

In the longer-term, declines in the NWT population or provincial government spending are risks, as growth in these variables is used to calculate the TFF Grant. Furthermore, a decline in the NWT's population may erode the NWT's own-source revenue base.

The legislation governing major federal transfers to the GNWT (TFF, Canada Health Transfer and Canada Social Transfer) will expire March 31, 2014. Work is underway by federal, provincial and territorial officials on the renewal of these programs. Canada has committed to maintaining funding levels under these programs until 2014, but the federal fiscal situation poses a risk to these transfers when the legislation expires.

Summary of Operations

	(thousands of dollars)			
	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
REVENUES	**1,358,927**	**1,320,145**	**1,359,695**	**1,293,713**
OPERATIONS EXPENSE				
Compensation and Benefits	285,969	273,706	271,940	258,354
Grants and Contributions	638,286	621,745	618,869	633,019
Other Expenses	345,160	337,965	334,301	306,528
Amortization	69,921	67,888	70,463	59,397
TOTAL OPERATIONS EXPENSE TO BE VOTED	**1,339,336**	**1,301,304**	**1,295,573**	**1,257,298**
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	**19,591**	**18,841**	**64,122**	**36,415**
INFRASTRUCTURE CONTRIBUTIONS - NET OF ESTIMATED LAPSES	(17,852)	(34,344)	(33,790)	(84,027)
SUPPLEMENTARY RESERVE				
Operations Expenditures	(10,000)	-	(10,000)	-
ESTIMATED APPROPRIATION LAPSES				
Regular Operating Activities	25,000	22,000	15,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	55,324	63,944	55,459	69,677
Expenditures	(55,324)	(63,944)	(55,459)	(69,677)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	**16,739**	**6,497**	**35,332**	**(47,612)**
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	**803,342**	**796,845**	**823,424**	**844,457**
ACCUMULATED SURPLUS AT THE END OF THE YEAR	**820,081**	**803,342**	**858,756**	**796,845**

Summary of Revenues

(thousands of dollars)

	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
GRANT FROM CANADA	**996,143**	**919,872**	**919,872**	**864,161**
TRANSFER PAYMENTS	**94,835**	**102,124**	**97,897**	**123,442**
TAXATION REVENUE				
Personal Income Tax	73,168	67,402	67,965	62,686
Corporate Income Tax	14,303	55,795	79,574	54,112
Tobacco Tax	16,592	16,254	16,444	15,936
Fuel Tax	14,292	12,203	16,207	14,027
Payroll Tax	37,992	36,036	38,288	34,334
Property Tax and School Levies	25,439	24,910	24,414	24,844
Insurance taxes	4,580	4,675	4,700	4,081
	186,366	**217,275**	**247,592**	**210,020**
GENERAL REVENUES				
Revolving Funds Net Revenue	24,388	24,226	24,226	23,453
Regulatory Revenues	18,134	16,936	16,856	14,924
Investment Income	1,891	2,071	2,109	2,137
Other General Revenues	744	887	907	1,760
	45,157	**44,120**	**44,098**	**42,274**
OTHER REVENUES				
Leases and Accommodations	947	947	947	1,454
Service	1,868	1,728	1,847	1,040
Program	16,002	14,377	27,812	30,726
Commodity Sales	68	68	84	-
Insurance Proceeds	60	60	60	10
Other Miscellaneous Recoveries	220	220	220	82
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	7,332
	21,465	**20,400**	**33,970**	**40,644**
GRANTS IN KIND	**762**	**762**	**762**	**810**
CAPITAL				
Deferred Capital Contributions	14,199	15,592	15,504	12,362
	14,199	**15,592**	**15,504**	**12,362**
TOTAL REVENUES	**1,358,927**	**1,320,145**	**1,359,695**	**1,293,713**

Summary of Operations Expenditures by Department

(thousands of dollars)

	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
Legislative Assembly	18,917	17,223	17,239	15,771
Executive	15,070	14,531	14,306	11,886
Human Resources	42,421	40,073	40,073	37,241
Aboriginal Affairs and Intergovernmental Relations	7,619	8,245	8,180	6,551
Finance	39,609	39,227	72,978	66,263
NWT Housing Corporation	61,175	58,617	37,122	38,317
Municipal and Community Affairs	93,335	91,288	91,288	88,317
Public Works and Services	92,988	92,764	92,764	62,125
Health and Social Services	344,505	334,773	325,825	349,738
Justice	106,206	101,608	101,340	100,273
Education, Culture and Employment	285,895	274,176	272,435	276,045
Transportation	110,777	105,104	104,511	98,526
Industry, Tourism and Investment	53,326	51,599	51,752	48,438
Environment and Natural Resources	67,493	72,076	65,760	57,807
TOTAL OPERATIONS EXPENDITURES	**1,339,336**	**1,301,304**	**1,295,573**	**1,257,298**

Summary of Infrastructure Investment by Department

(thousands of dollars)

	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
Tangible Capital Assets				
Legislative Assembly	-	1,831	1,400	430
Human Resources	940	715	715	-
Finance	925	939	630	8,590
Municipal and Community Affairs	-	67	-	191
Public Works and Services	14,302	40,540	27,260	17,873
Health and Social Services	16,291	29,981	6,928	14,306
Justice	1,096	2,562	1,034	1,357
Education, Culture and Employment	27,669	81,286	54,570	50,609
Transportation	62,703	288,307	81,439	96,438
Industry, Tourism and Investment	599	3,302	1,930	2,533
Environment and Natural Resources	1,653	2,555	2,160	1,282
Total Tangible Assets	**126,178**	**452,085**	**178,066**	**193,609**
Infrastructure Contributions				
Municipal and Community Affairs	28,002	66,749	40,140	62,752
Health and Social Services	-	440	-	15,877
Education, Culture and Employment	850	4,201	2,150	14,575
Transportation	-	1,354	1,500	5,401
Infrastructure Contributions	**28,852**	**72,744**	**43,790**	**98,605**
TOTAL INFRASTRUCTURE INVESTMENT	**155,030**	**524,829**	**221,856**	**292,214**

Summary of Cash Flows

(thousands of dollars)

	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,096,032	1,100,545	1,102,502	1,206,178
Other Revenues	236,252	276,156	269,281	429,127
	1,332,284	**1,376,701**	**1,371,783**	**1,635,305**
Cash Paid For:				
Operations Expenses	(1,271,927)	(1,246,276)	(1,252,907)	(1,256,897)
Projects Performed for Others	-	-	-	(293,195)
Cash Provided By (Used For) Operating Transactions	**60,357**	**130,425**	**118,876**	**85,213**
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(155,383)	(243,199)	(186,893)	(190,515)
Capital Investment (prior year)	(10,592)	(8,528)	(9,169)	-
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Contributions Received and Deferred	-	37,476	31,187	36,890
Cash Provided By (Used For) Capital Transactions	**(165,975)**	**(214,251)**	**(164,875)**	**(153,625)**
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	1,057
Loans (Net of Repayments)	(4,200)	(4,200)	(4,200)	(13,271)
Cash Provided By (Used For) Investing Transactions	**(4,200)**	**(4,200)**	**(4,200)**	**(12,214)**
FINANCING TRANSACTIONS				
Repayments of Capital Lease Obligations	**19,000**	**66,000**	**(4,730)**	**(934)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(90,818)**	**(22,026)**	**(54,929)**	**(81,560)**
Cash and Cash Equivalents at the Beginning of the Year	(64,388)	(42,362)	(34,251)	39,198
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(155,206)**	**(64,388)**	**(89,180)**	**(42,362)**

Summary of Total Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2011/2012 Main Estimates	2010/2011 Revised Estimates	2010/2011 Main Estimates	2009/2010 Actuals
ESTIMATED SHORT TERM DEBT AT THE END OF THE YEAR	**(155,206)**	**(64,388)**	**(89,180)**	**(42,362)**
LONG TERM DEBT	**(164,374)**	**(165,439)**	**-**	**-**
GUARANTEED DEBT				
NWT Power Corporation	(147,967)	(148,181)	(135,288)	(118,229)
NWT Energy Corporation	(19,514)	(20,164)	(23,664)	(20,758)
NWT Housing Corporation	(24,558)	(25,778)	(25,778)	(26,931)
Yellowknife Public Denominational District Education Authority	(4,229)	(4,890)	(4,890)	(5,511)
TOTAL GUARANTEED DEBT	**(196,268)**	**(199,013)**	**(189,620)**	**(171,429)**
TOTAL (DEBT) SURPLUS	**(515,848)**	**(428,840)**	**(278,800)**	**(213,791)**
AUTHORIZED BORROWING LIMIT	**575,000**	**575,000**	**500,000**	**500,000**
AVAILABLE BORROWING AUTHORITY	**59,152**	**146,160**	**221,200**	**286,209**

PROVINCIAL & TERRITORIAL TAX RATES – JANUARY 14, 2011

	Combined Top Marginal PIT Rate [a] (%)	Retail Sales Tax (%)	Fuel Tax [b]		Tobacco Tax on Cigarettes ($/ carton) [c]	Payroll Tax [d] (%)	Corporate Income Tax		Capital Tax [e] (%)
			Gas (¢/ litre)	Diesel (¢/ litre)			Small (%)	Large (%)	
Northwest Territories	43.05	-	10.70	9.10	54.80	2.00	4.0	11.5	-
Nunavut	40.50	-	6.40	9.10	42.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.20	7.20	42.00	-	4.0	15.0	-
British Columbia	43.70	7.0	18.95	20.11	37.00	-	2.5	10.0	-
Alberta	39.00	-	9.00	9.00	40.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.00	15.00	42.00	-	4.5	12.0	0/3.25
Manitoba	46.40	7.0	11.50	11.50	41.00	2.15	0.0	12.0	0/3.0
Ontario	46.41	8.0	14.70	14.30	24.70	1.95	4.5	12.0	-
Quebec	48.22	7.5	17.00	18.10	20.60	4.26	8.0	11.9	-
New Brunswick	41.70	8.0	10.70	16.90	23.50	-	5.0	11.0	0/3.0
Nova Scotia	50.00	10.0	15.50	15.40	43.04	-	4.5	16.0	0.1/4.0
Prince Edward Island	47.37	10.0	13.20	19.20	44.90	-	1.0	16.0	0/5.0
Newfoundland	42.30	8.0	16.50	16.50	38.00	2.00	4.0	14.0	0/4.0
Weighted average [f]	45.51	6.8	15.09	15.42	29.01	1.86	4.7	11.6	

Notes:

(a) Combined federal-provincial/ territorial highest 2011 personal income tax rates and, when appropriate, surtax.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates include carbon tax, and are applicable in regions outside Victoria and the Lower Mainland. In British Columbia, carbon tax rates are uniform across the province; however, there are different fuel tax rates for different regions. Quebec fuel tax rates also include carbon tax, and are applicable in regions where the regular fuel tax rate applies. Similar to British Columbia, carbon tax rates in Quebec are uniform across the province whereas the fuel tax rates vary with regions within the province.

(c) BC, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario and Saskatchewan apply sales tax to sales of tobacco products.

(d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.

(e) Capital tax rates are for large corporations and for financial institutions in the order shown. Tax bases differ for the two types of companies.

(f) Average weighted by provincial/ territorial populations at July 1, 2010.